

Registration No.

200501012215 (689263-M)

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2020

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Registration No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

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DIRECTORS' REPORT

The Directors are pleased to present this report with the Company's audited financial statements for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is engaged principally in underwriting Family Takaful, including investment-linked business. There were no significant changes in the Company's principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>16,107</u>

DIVIDENDS

The Company has not paid or declared any dividends since the end of the previous financial year. The Directors have not recommended any dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

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

PROVISION FOR TAKAFUL LIABILITIES

Before the Company's financial statements were made, the Directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported (IBNR) claims and adequate provision for Takaful contract liabilities in accordance with the valuation methods as specified in Part D of the Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia (BNM).

SHARE CAPITAL

During the financial year ended 31 December 2020, the Company had increased its issued and paid-up share capital from RM100,010,000 to RM140,010,000 by way of the issuance of 40,000,000 ordinary shares of RM1.00 each.

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DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the Company's financial statements were made, the Directors took reasonable steps to ascertain that proper action had been taken in relation to writing off of bad debts and making 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.

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

CURRENT ASSETS

Before the Company's financial statements were made, 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 Company's accounting records were written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

As of the date of this report, the Directors are not aware of any circumstances that has arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the Company's assets that arose since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Company that arose since the end of the financial year.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the Company's ability 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 Takaful underwritten in the ordinary course of the Company's business.

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DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	5/5
Encik Wong Ah Kow (Independent Non-Executive Director)	5/5
Dato' Khodijah Binti Abdullah (Independent Non-Executive Director)	5/5
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	5/5
Encik Karim Gilani (Executive Director)	5/5

In accordance with Article 69 of the Company's Articles of Association, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Encik Karim Gilani shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements and adopt management practices that are consistent with the principles prescribed under the Islamic Financial Services Act, 2013, Bank Negara Malaysia (BNM) Guidelines, in particular, BNM/RH/GL_012_3 Shariah Governance Framework for Islamic Financial Institutions; BNM/RH/GL 018-5 on Fit and Proper Criteria; BNM/RH/PD 029-9 on Corporate Governance; other directives and the principles of Shariah, that supersedes BNM/RH/GL 004-1 on Directorship for Takaful Operators and BNM/RH/GL/003-2 on Prudential Framework of Corporate Governance for Insurers.

Board of Directors (the Board)

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

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

Board

- (i) Plans Board and Committees' size and composition, establishes Board Committees and Shariah Committee and appoints its members, and determines Directors' compensation;
- (ii) Maintains formal orientation programmes for new Directors and ongoing education programmes for Directors;
- (iii) Establishes corporate governance practices and policies; and
- (iv) Assesses annually its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, including the fitness and proper criteria of individual Directors.

Senior Management

- (i) Selects, evaluates, and, if necessary, replaces the Chief Executive Officer and other members of senior management, including the Appointed Actuary;
- (ii) Delegates powers to management to manage the Company;
- (iii) Oversees succession planning for senior management positions;
- (iv) Approves compensation of senior management;
- (v) Advises the Chief Executive Officer; and
- (vi) Reviews and approves the organisational structure.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Ethics and Integrity

- (i) Sets the ethical tone for the Company;
- (ii) Satisfies itself that senior management maintain a culture of integrity throughout the Company; and
- (iii) Approves amendments and reviews employee compliance with the Code of Business Conduct.

Strategy

- (i) Approves the Company's vision and mission statements;
- (ii) Reviews the effectiveness of the strategic planning process;
- (iii) Approves the Company's business objectives, strategies, and capital and financial plans annually; and
- (iv) Monitors the Company's performance against these statements, objectives, and plans on an ongoing basis.

Risk Management, Capital Management, and Internal Control

- (i) At least annually, approves policies and procedures for the management and control of risk and capital, and reviews compliance with these policies and procedures;
- (ii) Reviews the internal control and management information systems that provide reasonable assurance for the reliability of the Company's financial information and safeguarding of its assets; and
- (iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

- (i) Reviews and approves material investments and transactions.

Financial Reporting

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

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Communication and Disclosure

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

Oversight on Shariah Governance

- (i) Approves policies relating to governance structure and reporting arrangements, Shariah noncompliance risk management and other areas that are material to the effective implementation of Shariah governance within the Company;
- (ii) Oversees the implementation of Shariah Advisory Council of Bank Negara Malaysia (SAC) rulings and decisions or advice of the Shariah Committee within all business and functional lines, including any business or risk implications arising from such implementation;
- (iii) Oversees the implementation of the internal control framework to prevent Shariah noncompliance and any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah noncompliance;
- (iv) Oversees the performance of senior management and other officers entrusted to implement Shariah governance framework such that the Board is satisfied that the measures of their performance are aligned with Shariah governance objectives; and
- (v) Promotes a sound corporate culture which reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah.

Others

- (i) Engages any special advisors it deems necessary to provide independent advice at the Company's expense; and
- (ii) Performs such other functions as prescribed by law or as assigned to the Board in the Company's governing documents.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Directors' Training

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

During the year, the Directors were briefed and updated on the BNM guidelines and have continuously developed and strengthened their knowledge and understanding on Islamic finance to fulfil their responsibility. The Directors also participated in external training programmes to keep abreast with the latest developments.

Audit Committee (AC)

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

	<u>Attendance</u>
Encik Wong Ah Kow	4/4
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	4/4
Dato' Khodijah Binti Abdullah	4/4

The AC's duties and responsibilities are as follows:

Financial Reporting

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

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

External Auditor

- (i) Reviews the independence of the External Auditor, including the requirements relating to such independence in the laws governing the Company and the applicable financial legislative and regulatory requirements;
- (ii) Assesses the performance of the External Auditor and recommends to the Board the reappointment or, if so determined by the AC, the replacement of the External Auditor, subject to the approval of the Shareholders;
- (iii) Determines, reviews, and approves the services the External Auditor performs and the fees to be paid to the External Auditor for audit, audit-related, and other services permitted by law;
- (iv) Reviews with the External Auditor and management the overall scope of the annual audit plan, quality control procedures, and the resources that the External Auditor devotes to the audit;
- (v) Reviews with the External Auditor any regulatory investigations that pertain to the External Auditor; and
- (vi) Investigates reasons for any request made by management to dismiss the External Auditor, or any resignation by the External Auditor. The results of the investigation will be disclosed to the Board with recommendations on the proposed actions to be taken.

Internal Control and Audit

- (i) Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates, and approves such procedures;
- (ii) Reviews management's reports on the effectiveness of the Company's disclosure on controls and procedures and its internal control over financial reporting;
- (iii) Reviews with the Head of Internal Audit and management:
 - (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor on their audit plan, and the adequacy of the resources available to the Head of Internal Audit;
 - (b) The effectiveness of internal control procedures;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

Internal Control and Audit (continued)

- (iv) Ensures that management is taking necessary and timely corrective actions to address control weaknesses, noncompliance with laws, regulatory requirements, policies and any other issues identified by the internal audit and other control functions;
- (v) Notes any significant disagreements between the Head of Internal Audit and management, irrespective of whether these were resolved, to identify any impact the disagreements may have on the audit process or findings; and
- (vi) Reviews third-party opinions on the design and effectiveness of the Company's internal control framework.
- (vii) Reviews quarterly Internal Audit reports with respect to, among others, the adequacy and effectiveness of controls on an enterprise-wide basis.
- (viii) Submits AC's Annual Report to BNM which includes the summary of activities, AC's composition and meeting records as well as internal control assessment and key control issues.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility, and authority of the Internal Audit function;
- (ii) Ensures that the Head of Internal Audit has adequate authority and independence to perform the Internal Audit mandate;
- (iii) Approves the appointment, remuneration, performance evaluation, removal, and deployment of the Head of Internal Audit;
- (iv) Ensures that an independent review of the Internal Audit function is conducted, as needed;
- (v) Discusses with the External Auditor, if necessary, the impact of the financial and control-related aspects of material transactions the Company proposes;
- (vi) Reviews and discusses with the External Auditor and Appointed Actuary such reports and regulatory returns of the Company as may be specified by law;

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CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

Governance (continued)

- (vii) Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities, including management's responses and recommendations thereon;
- (viii) Discusses the qualifications for and determines whether a member of the AC is a financial expert and, in conjunction with the Remuneration and Nomination Committee, ensures the ongoing financial literacy of AC members; and
- (ix) Reviews, updates, and monitors any related party transactions and conflict of interest situations that may arise within the Company, including any transactions, procedures, or conduct that raise questions of management integrity.

Others

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

Remuneration and Nomination Committee (RNC)

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

	<u>Attendance</u>
Dato' Khodijah Binti Abdullah	2/2
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	2/2
Encik Wong Ah Kow	2/2

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

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

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

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CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee (RNC) (continued)

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

- (ii) Recommends and assesses the fitness and propriety of nominees for directorship, the Directors to fill the Board Committees, members of the Shariah Committee, as well as nominees for the position of the Chief Executive Officer and the Company Secretary. This includes assessing the Directors, members of the Shariah Committee, 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, including members of the Shariah Committee and the performance of the Chief Executive Officer annually;
- (iv) Recommends to the Board the removal of a Director, Chief Executive Officer, and Shariah Committee Member for ineffectiveness, or being errant or negligent in discharging responsibilities;
- (v) Ensures that all Directors and Shariah Committee Members undergo appropriate induction programmes and receive continuous training;
- (vi) Oversees the appointments, succession planning of management, and performance evaluation of key senior officers, and recommends to the Board the removal of key senior officers for ineffectiveness, or being errant or negligent in discharging their responsibilities;
- (vii) Seeks the services of advisors or consultants as it deems necessary to fulfill its responsibilities; and
- (viii) Reviews the list of key responsible persons, as defined in BNM guidelines, annually and make changes as appropriate.

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

- (i) Recommends a framework of remuneration for Directors, Chief Executive Officer, Shariah Committee Members, and key senior officers; and
- (ii) Recommends specific remuneration packages for Directors, Chief Executive Officer, Shariah Committee Members, and key senior officers.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (RMC)

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

	<u>Attendance</u>
Encik Wong Ah Kow	5/5
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	5/5
Dato' Khodijah Binti Abdullah	5/5

The RMC's duties and responsibilities are as follows:

Risk Management

- (i) Reviews and recommends risk management strategies, policies, risk tolerance, and risk appetite for the Board's approval;
- (ii) Reviews at least annually and assesses the adequacy of and compliance with Risk Management policies and framework for identifying, measuring, monitoring, and controlling risks, as well as the extent to which these are operating effectively;
- (iii) Ensures adequate infrastructure, resources, and systems are in place for effective risk management;
- (iv) Reviews periodic management reports on risk exposure, risk portfolio composition, and risk management activities;
- (v) Reviews and assesses matters in the Shareholders Agreement as recommended by the Executive Committee, for the Board's approval;
- (vi) Monitors the performance of the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO), and the Investment Committee (IC) within the context of the Company's strategy, risk appetite, and charters of the respective Committees;
- (vii) Reviews and assesses the results of the stress and scenario testings, before endorsing for the Board's approval. In addition, ensuring management's timely identification and continuous monitoring of suitable corrective action plans in addressing the identified risks;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management (continued)

- (viii) Reviews key risk-related issues incorporated into the business plans annually;
- (ix) Reviews management's actions related to product design through the process in the Risk Management policies; and
- (x) Assists in the implementation of a sound remuneration structure and without prejudice to the tasks of the Remuneration and Nomination Committee, and examines whether incentives provided by the remuneration structure take into consideration risks, capital, liquidity, and the likelihood and timing of earnings.

Compliance

- (i) Reviews at least annually and approves changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- (ii) Reviews at least annually the adequacy of and compliance with the Company's Code of Conduct and enterprise-wide policies for the management and mitigation of compliance risks, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption, and fraud; and
- (iii) Reviews quarterly compliance reports presented to RMC with respect to, among others, compliance trends and themes enterprise-wide, regulatory reviews, and the Company's compliance risks and programmes.

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 Karim Gilani
Encik Ooi Say Teng

The EC's duties and responsibilities are as follows:

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

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CORPORATE GOVERNANCE (CONTINUED)

Shariah Committee (SC)

The SC members and the SC members' attendance during the financial year are as follows:

	<u>Attendance</u>
Sheikh Dr. Shafaai Bin Musa - Chairman	6/6
Sheikh Professor Dr. Mohammad Hashim Kamali	6/6
Sheikh Dato' Dr. Haji Mohd Nai'm Haji Mokhtar	5/6
Professor Dato' Dr. Noor Inayah Ya'akub	6/6
Sheikh Ustaz Mohd Fadhly Md Yusoff	5/6

The SC's duties and responsibilities are as follows:

- (i) Provides decision or advice to the Company on the application of any rulings of the SAC or standards on Shariah matters that are applicable to the Company's business, operations, affairs and activities;
- (ii) Provides a decision or advice on matters which require a reference to be made to the SAC;
- (iii) Provides a decision or advice on the Company's business, operations, affairs and activities which may trigger a Shariah noncompliance event;
- (iv) Deliberates and affirms a Shariah noncompliance finding by any relevant functions;
- (v) Endorses a rectification measure to address a Shariah noncompliance event;
- (vi) Reviews and endorses Shariah governance related documents such as the Shariah-Compliant Business Policy, Shariah audit, and Shariah risk management; and
- (vii) Approves product concept, underlying Shariah contract, Shariah structure, Shariah features and its documentation.

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CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' BENEFITS

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

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

The Company's Directors and officers are covered by Directors and Officers liability takaful for any liability incurred in the discharge of their duties, provided they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The Takaful contribution paid during the financial year amounted to RM60,800.

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:

	<u>No. of Options over Ordinary Shares</u>			
	<u>At</u>			<u>At</u>
	<u>1.1.2020</u>	<u>Granted</u>	<u>(Sold)</u>	<u>31.12.2020</u>
<u>Sun Life Financial Inc.</u>				
Karim Gilani	8,675	-	-	8,675

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' REMUNERATION

The details of Directors' remuneration are stated in Note 21 to the financial statements.

HOLDING COMPANIES

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company, effective from 2 October 2019. All three companies are incorporated in Malaysia.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are stated in Note 21 to the financial statements. There is no indemnity given or insurance effected for any auditor of the Company.

AUDITORS

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

Signed on behalf of the Board in accordance with the resolution of the Directors dated 15 March 2021.

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

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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 Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements on pages 24 to 140 are drawn up to give a true and fair view of the Company's financial position as at 31 December 2020, and the Company's financial performance for the financial year ended 31 December 2020 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 in accordance with a resolution of the Directors dated 15 March 2021.

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 Takaful Berhad, do solemnly and sincerely declare that the financial statements on pages 24 to 140 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM
MIA No. CA10652

Subscribed and solemnly declared by the above named Chew Chin Lim at Kuala Lumpur, in the state of Wilayah Persekutuan in Malaysia on 15 March 2021.

Before me,

COMMISSIONER FOR OATHS

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REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, the Beneficent, the Merciful

We, the Sun Life Malaysia Takaful Berhad Shariah Committee (the Shariah Committee) reviewed the principles and the contracts relating to the transactions and applications introduced by Sun Life Malaysia Takaful Berhad (the Company) through the product literature, contract documents, financial statements, policies, and specific issues during the financial year ended 31 December 2020. We also conducted our review to form an opinion as to whether the Company complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The Company's management is responsible for ensuring that it conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on review of the operations by the Shariah Review, Risk Management, and the Internal Audit of the Company as presented to the Shariah Committee, and to report to you.

We assessed the work carried out by the Shariah review which included examining the relevant documentation and operational procedures adopted by the Company.

We planned and performed our review to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the Shariah principles.

In our opinion:

1. The contracts, transactions, and dealings entered into and concluded by the Company during the financial year ended 31 December 2020 are in compliance with the Shariah principles.
2. The allocation of surplus sharing from the Participant Risk Fund (Tabarru' Funds) to the customers and Company conforms to the basis stipulated in the Surplus Recognition and Allocation policy, and approved by us.
3. The allocation of profit sharing from the Participant Account/Universal Account to the customers and Company conforms to the basis stipulated in the Takaful Participants' Account – Investment Allocation and Management of Universal Takaful Business Policy, and approved by us.
4. There was no Qard recovery by the Shareholders Fund from the Family Takaful Fund in the financial year ended 31 December 2020.
5. All Shariah review findings were addressed to us, deliberated on, and ratified by us.
6. The allocation of zakat was deliberated and approved by the Shariah Committee.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

We, being two of the members of the Company's Shariah Committee, do hereby confirm that the Company's operations for the financial year ended 31 December 2020 were conducted in conformity with Shariah, except where it is disclosed otherwise.

SHEIKH DR. SHAFAAI BIN MUSA

SHEIKH PROFESSOR DR. MOHAMMAD HASHIM KAMALI

Kuala Lumpur
15 March 2021

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD**
(Incorporated in Malaysia)
(Registration No. 200501012215 (689263-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Takaful Berhad (the Company) give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its 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 Company, which comprise the statement of financial position as at 31 December 2020 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 24 to 140.

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 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 TAKAFUL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
(Registration No. 200501012215 (689263-M))

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 Company and our auditors' report thereon.

Our opinion on the financial statements 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 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 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 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 200501012215 (689263-M))

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 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 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 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 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 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 Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements 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 TAKAFUL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
(Registration No. 200501012215 (689263-M))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

WONG HUI CHERN
03252/05/2022 J
Chartered Accountant

Kuala Lumpur
15 March 2021

Registration No.

200501012215 (689263-M)

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020			2019		
		Share- holders' fund	Family Takaful fund	Company	Share- holders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Property and equipment	3	685	-	685	263	-	263
Intangible assets	4	25,693	-	25,693	29,879	-	29,879
Right-of-use assets		78	-	78	11	-	11
Available-for-sale financial assets	5	409,658	1,056,331	1,455,159	294,325	953,292	1,238,529
Fair value through profit or loss financial assets	5	1,803	326,870	328,673	-	150,296	150,296
Financing and receivables	6	53,024	105,489	158,513	103,981	76,760	180,741
Takaful receivables	7	1	8,783	8,784	-	15,233	15,233
Retakaful assets	8	48	125,836	125,884	48	124,556	124,604
Other receivables	9	23,371	6,670	9,264	18,820	7,666	8,144
Current tax assets		1,310	(103)	1,207	1,978	2,461	4,439
Cash and bank balances		1,277	7,628	8,905	4,505	11,939	16,444
Total assets		516,948	1,637,504	2,122,845	453,810	1,342,203	1,768,583

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONTINUED)

	Note	2020			2019		
		Share- holders' fund	Family Takaful fund	Company	Share- holders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES							
Share capital	14	240,000	-	240,000	200,000	-	200,000
Available-for-sale reserve		16,703	-	16,703	9,427	-	9,427
Retained earnings		226,097	-	226,097	209,990	-	209,990
Total equity		482,800	-	482,800	419,417	-	419,417
LIABILITIES							
Takaful contract liabilities	11	299	1,571,527	1,560,996	659	1,264,047	1,255,618
Takaful payables	12	288	15,876	16,164	2,198	12,970	15,168
Lease liabilities		79	-	79	12	-	12
Other payables	13	28,099	39,219	46,541	28,724	54,202	64,584
Expense liabilities		9	-	9	25	-	25
Deferred tax liabilities	10	4,922	9,625	14,547	2,697	5,131	7,828
Current tax liabilities		452	1,257	1,709	78	5,853	5,931
Total liabilities		34,148	1,637,504	1,640,045	34,393	1,342,203	1,349,166
TOTAL EQUITY AND LIABILITIES		516,948	1,637,504	2,122,845	453,810	1,342,203	1,768,583

Note:

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

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020			2019		
		Share- holders' fund	Family Takaful fund	Company	Share- holders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution	15(a)	-	599,042	599,042	-	429,040	429,040
Contribution ceded to retakaful operators	15(b)	-	(68,519)	(68,519)	-	(70,206)	(70,206)
Net earned contribution		-	530,523	530,523	-	358,834	358,834
Wakalah income		173,533	-	-	159,600	-	-
Surplus sharing from Family Takaful funds		10,193	-	-	10,966	-	-
Investment income	16	19,168	48,859	62,788	18,283	45,713	60,397
Realised gains	17	(3)	2,898	2,895	5,878	2,949	8,827
Net fair value gains	18	42	50,320	50,362	-	10,999	10,999
Commission income		-	58	58	-	293	293
Other operating income	19	4,489	30	4,519	2,889	67	2,956
Total income		207,422	632,688	651,145	197,616	418,855	442,306

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020			2019		
		Share- holders' fund	Family Takaful fund	Company	Share- holders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid	20(a)	(630)	(209,604)	(210,234)	(448)	(188,359)	(188,807)
Claims ceded to retakaful operators	20(b)	-	60,590	60,590	-	66,555	66,555
Gross change in Takaful contract liabilities	20(c)	360	(287,421)	(287,061)	1,257	(150,105)	(148,848)
Change in Takaful contract liabilities ceded to retakaful operators	20(d)	-	1,280	1,280	(497)	32,139	31,642
		<u>(270)</u>	<u>(435,155)</u>	<u>(435,425)</u>	<u>312</u>	<u>(239,770)</u>	<u>(239,458)</u>
Surplus sharing with Takaful operator		-	(10,193)	-	-	(10,966)	-
Wakalah expenses		-	(173,533)	-	-	(159,600)	-
Commission expenses		(61,823)	-	(61,823)	(54,623)	-	(54,623)
Management expenses	21	(115,173)	-	(115,173)	(115,614)	-	(115,614)
Other operating expenses	22	(7,017)	(9,263)	(11,041)	(13,851)	(6,742)	(16,994)
Finance cost		(3)	-	(3)	(2)	-	(2)
		<u>(184,016)</u>	<u>(192,989)</u>	<u>(188,040)</u>	<u>(184,090)</u>	<u>(177,308)</u>	<u>(187,233)</u>
Total expenses		(184,286)	(628,144)	(623,465)	(183,778)	(417,078)	(426,691)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020			2019		
		Share- holders' fund	Family Takaful fund	Company	Share- holders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation		23,136	4,544	27,680	13,838	1,777	15,615
Tax expense attributable to participants		-	(4,544)	(4,544)	-	(1,777)	(1,777)
Profit before taxation attributable to Shareholders		23,136	-	23,136	13,838	-	13,838
Taxation	23	(7,019)	(4,544)	(11,563)	(10,797)	(1,777)	(12,574)
Tax expense attributable to participants		-	4,544	4,544	-	1,777	1,777
Tax expense attributable to Shareholders		(7,019)	-	(7,019)	(10,797)	-	(10,797)
Zakat		(10)	-	(10)	(30)	-	(30)
Net profit for the financial year		16,107	-	16,107	3,011	-	3,011
Basic earnings per share (sen)		-	-	11.51	-	-	3.01

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020			2019		
		Share- holders' fund	Family Takaful fund	Company	Share- holders' fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income:							
Items that may be subsequently reclassified to profit or loss:							
Fair value changes on available-for-sale financial assets:							
- Revaluation		9,425	20,034	29,459	6,975	50,047	57,022
- Transfer to profit or loss upon disposal		149	1,769	1,918	867	222	1,089
- Gross fair value changes	5(c)	9,574	21,803	31,377	7,842	50,269	58,111
- Deferred taxation	10	(2,298)	(1,744)	(4,042)	(1,882)	(4,022)	(5,904)
- Net fair value changes		7,276	20,059	27,335	5,960	46,247	52,207
Changes in Takaful contract liabilities arising from unrealised net fair value changes	11	-	(20,059)	(20,059)	-	(46,247)	(46,247)
Other comprehensive income for the financial year, net of tax		7,276	-	7,276	5,960	-	5,960
Total comprehensive income for the financial year		23,383	-	23,383	8,971	-	8,971

Note:

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

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>Share capital</u> RM'000	<u>Non-distributable Available- for-sale reserve</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2020	200,000	9,427	209,990	419,417
Issuance of ordinary shares (Note 14)	40,000	-	-	40,000
Total comprehensive income for the financial year	-	7,276	16,107	23,383
At 31 December 2020	<u>240,000</u>	<u>16,703</u>	<u>226,097</u>	<u>482,800</u>
At 1 January 2019	200,000	3,467	206,979	410,446
Total comprehensive income for the financial year	-	5,960	3,011	8,971
At 31 December 2019	<u>200,000</u>	<u>9,427</u>	<u>209,990</u>	<u>419,417</u>

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	16,107	3,011
Adjustments for:		
Depreciation of property and equipment	95	95
Amortisation of intangible assets	4,388	4,533
Amortisation of right-of-use assets	67	67
Amortisation of premiums - net	1,376	43
Allowance for impairment loss of intangible assets	250	-
Realised gains on disposal of financial assets	(2,895)	(8,827)
Profit income	(59,025)	(57,573)
Dividend income	(5,139)	(2,867)
Net fair value gains	(50,362)	(10,999)
Provision for expense liability	(16)	(96)
Allowance for impairment loss of other receivables	90	-
Writeback of allowance for impairment loss	(5)	(10)
Decrease in Shareholder's fund		
Takaful contract liabilities	(360)	(1,257)
Increase in Family Takaful contract liabilities	287,421	150,105
Finance cost	3	2
Taxation	11,563	12,574
Zakat	10	30
	<hr/>	<hr/>
Profit from operations before changes in operating assets and liabilities	203,568	88,831
Proceeds from disposal and maturity of investments	175,941	304,243
Purchase of investments	(487,817)	(346,673)
Increase in other receivables	(1,154)	(3,376)
Decrease in Takaful receivables	6,454	18,959
Decrease/(Increase) in financing and receivables	22,036	(79,113)
Increase in retakaful assets	(1,280)	(31,642)
(Decrease)/Increase in other payables	(16,286)	16,906
Increase/(Decrease) in Takaful payables	996	(26,510)
	<hr/>	<hr/>
	(97,542)	(58,375)
Interest paid	(3)	(2)
Income tax paid	(11,585)	(7,224)
Zakat paid	(60)	(240)
Profit income received	57,603	56,681
Dividend income received	5,083	2,911
	<hr/>	<hr/>
Net cash used in operating activities	(46,504)	(6,249)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	<u>2020</u> RM'000	<u>2019</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(829)	(276)
Purchase of intangible assets	(140)	(4,013)
Net cash used in investing activities	<u>(969)</u>	<u>(4,289)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of ordinary shares	40,000	-
Payment of lease liabilities	(66)	(68)
Net cash generated from/(used in) financing activities	<u>39,934</u>	<u>(68)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,539)	(10,606)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	16,444	27,050
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>8,905</u>	<u>16,444</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>8,905</u>	<u>16,444</u>

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

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 CORPORATE INFORMATION

The Company is engaged principally in underwriting Family Takaful, including investment-linked business. There were no significant changes in the nature of these activities of the Company during the financial year.

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

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

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

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company effective from 2 October 2019. All three companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 March 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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 Company's accounting policies.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the 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.

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

New standards that are effective and were adopted

The amendments and improvements to published standards and interpretations that the Company has adopted for the first time for the financial year beginning on or after 1 January 2020 are as follows:

- (i) The Conceptual Framework for Financial Reporting
- (ii) Amendments to MFRS 101 and MFRS 108 "Definition of Material"

The adoption of these amendments did not have any material impact to the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

New standards that are effective and were deferred for adoption

The amendments and improvements to published standards and interpretations that are relevant and effected for the financial year beginning on or after 1 January 2020, but the Company deferred for adoption are as follows:

- Amendments to MFRS 4 – Extension of the Temporary Exemption from 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 2023, 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 Company’s business activity is predominately insurance and, hence, qualifies for the temporary exemption approach. Consequently, management 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 2023, which is in line with the adoption of MFRS 17 Insurance Contracts. The additional disclosures are in Note 32.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2020. None of these are expected to have a significant effect on the Company's financial statements, except for the following as set out below:

- MFRS 17 "Insurance Contracts" (effective from 1 January 2023) 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 services other than insurance contract services 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 components for services other than insurance contract services should be "unbundled" and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Alternative measurement models are provided for the different insurance coverage:

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

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

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

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

- Amendments to MFRS 101 "Classification of liabilities as current or non-current" (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) 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 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.

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

Depreciation of 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:

Computer equipment	3 years
Motor vehicles	3 years

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Intangible assets

The Company's intangible assets consist of computer software and an exclusive partnership fee.

Computer software

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

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

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

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

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(e)(ii) on impairment of nonfinancial assets.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (FVTPL), financing and receivables (FAR), and available-for-sale (AFS).

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 Company commits 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 Company classifies 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 remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

FAR

FAR are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, FAR 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.

AFS

AFS are nonderivative financial assets designated as available-for-sale or not classified in any of the two preceding categories. These financial assets are initially recognised at fair value. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of AFS, net of income tax are recognised directly in other comprehensive income, except for impairment losses.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the profit or loss as net realised gains or losses on AFS financial assets.

(d) Fair value of financial instruments

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

For investments in 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.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Fair value of financial instruments (continued)

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

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

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

(e) Impairment

(i) Financial assets

The Company assesses 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 profit 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 Company first assesses 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 the collective assessment of impairment. The impairment assessment is performed as of each date of the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (continued)

Assets carried at amortised cost (continued)

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.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

(ii) Nonfinancial assets

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) 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 Company has also transferred substantially all risks and rewards of ownership.

(g) Equity instruments

Share capital

Ordinary shares and nonredeemable 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.

(h) Product classification

The Company issues contracts that transfer Takaful risk or financial risk or both.

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

Takaful contracts are those contracts whereby significant Takaful risks are shared among the participants. A Takaful contract is a contract under which the Takaful operator (the provider) has agreed to administer Takaful risk the participants face by agreeing to compensate the participants from the Tabarru' Fund if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company defines significant Takaful risk to be the possibility of having to pay benefits on the occurrence of a Takaful event that is at least 5% more than the benefits payable if the Takaful event did not occur.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

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

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

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

Surpluses in the DPF fund are distributable to participants and the Company in accordance with the relevant terms under the Takaful contracts, subject to the advice of the Company's Appointed Actuary.

Takaful contracts that contain both a financial risk component and a significant Takaful risk component are not unbundled and classified as Takaful contracts as the current accounting policy recognises all Takaful contributions, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through profit or loss.

An investment-linked Takaful contract is a Takaful contract with an embedded derivative linking payments on the contract to units of an internal investment fund the Company sets up with the consideration received from the contract holders. This embedded derivative meets the definition of a Takaful contract and is, therefore, not accounted for separately from the host Takaful contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

(i) Retakaful contracts

Contracts entered into by the Company with retakaful operators under which the Company is compensated for losses on one or more contracts the Company issues and that meet the classification requirements for Takaful contracts in Note 2.2(h) (on product classification) are classified as Takaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Takaful contracts the Company enters into under which the contract holder is another Takaful operator (inward retakaful) are included within Takaful contracts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Retakaful contracts (continued)

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of short-term balances due from retakaful operators, as well as longer-term receivables dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful operators are measured consistently with the amounts associated with the original Takaful contracts to which the retakaful relates and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

Ceded retakaful arrangements do not relieve the Company from its obligations to participants. Contributions and claims are presented on a gross basis for ceded retakaful arrangements.

Retakaful 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 retakaful asset that the Company may not receive all outstanding amounts due under the terms of the retakaful contract, and the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful operator. The Company gathers objective evidence that a retakaful asset is impaired using the same process adopted for financial assets held at amortised cost and the impairment loss is calculated following the same method used for these financial assets in Note 2.2(e) to the financial statements. The impairment loss is recorded in profit or loss.

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

(j) Family Takaful contracts

Family Takaful fund

The Family Takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act 2013 and includes the amount attributable to participants.

The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund and is attributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee.

All actuarial deficits in the Family Takaful fund will be made good by the Shareholders' fund via a Qard.

The deficits reported by the Takaful funds during the financial year that are attributable to the Shareholders' fund will be reported as a loss in the financial statements of the respective Takaful funds. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund are treated as equity in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds. Contribution income from the Family Takaful fund are recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised when due.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

Contribution income of the Investment-linked funds includes the net creation of units, which represents contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of the contract. Net creation of units is recognised on a receipt basis.

Retakaful contributions

Retakaful contributions are recognised as an expense when payable or on the date on which the certificate is effective.

Benefits and claims expenses

Benefits and claims incurred during the financial year are recognised when a claimable event occurs and/or the Takaful operator 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 Family Takaful certificate are recognised as follows:

- maturity and other certificate 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 funds are in respect of net cancellation of units and are recognised as surrenders; and
- surplus sharing of Takaful certificates in the financial year when surplus arises.

Retakaful claims are recognised when the related gross Takaful claim is recognised according to the terms of the relevant retakaful contracts.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Commission expenses and management expenses

The Family Takaful fund bears commissions and management expenses in profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of “Wakalah” as approved by the Company’s Shariah Committee and agreed on between the participants and the Company. These expenses are transferred to the Shareholders’ fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that they give rise to income.

At each date of the statement of financial position, the Company estimates its net future expense cash flows required on the maintenance of the Family Takaful fund. If the estimate shows a deficiency in the net future expense cash flows, the deficiency is immediately charged to the profit or loss of the Shareholders’ fund with a corresponding credit to the provision of expense liabilities.

Family Takaful contract liabilities

Family Takaful contract liabilities comprise liabilities attributable to the certificate holders, claims liabilities, available-for-sale reserve on financial assets, net asset value attributable to certificate holders, and unallocated surplus.

(i) Liabilities attributable to the certificate holders

Actuarial liabilities are recognised when Takaful contracts are entered into and contributions are charged.

Actuarial liabilities as determined by the annual actuarial valuation are based on the Islamic Financial Services Act 2013, as well as the relevant statutory requirements stated in the Guidelines on Valuation Basis for Liabilities of Family Takaful Business. The actuarial liabilities are derecognised when the Takaful contract expires, is discharged, or is cancelled.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru arising from the certificate discounted at the appropriate risk discount rate. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with the Guidelines on Valuation Basis for Liabilities of Family Takaful Business and any related Circulars BNM issues relevant to the guidelines.

The liabilities are 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 these liabilities. In addition, negative actuarial liabilities of Family Takaful Business are zeroised by holding additional actuarial reserve.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(i) Liabilities attributable to the certificate holders (continued)

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

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

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

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

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of Family Takaful Business," as specified by BNM.

(ii) Claims liabilities

The amounts payable under a Family Takaful certificate in respect of benefits and claims, including settlement costs, are accounted for using the case-by-case method as further set out in Note 2.2(j) on the accounting policy for benefits and claims expenses for Family Takaful contracts.

(iii) Fair value adjustment on available-for-sale financial assets

Where unrealised gains or losses arise from AFS financial assets of the Family Takaful fund, the adjustment to the Takaful contract liabilities is equal to the effect that the realisation of these gains or losses at the end of the reporting period would have on these liabilities is recognised directly in other comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(iv) Net asset value attributable to certificate holders

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

(v) Unallocated surplus

Surpluses of contracts under the surplus sharing Family Takaful fund are attributable to certificate holders and shareholders, and the amount and timing of distribution to both the certificate holders and shareholders are determined by an actuarial valuation of the long-term liabilities to certificate holders as of the date of the statement of financial position and is made in accordance with the provisions of the Islamic Financial Services Act 2013 and the related regulations by the Company's Appointed Actuary.

Surpluses in the nonsurplus sharing fund arising during the financial year are recognised in the statement of comprehensive income, and the unallocated surplus at the end of the financial year are held in the Takaful contract liabilities.

Unallocated surpluses of the surplus sharing funds where the amount of surplus allocation to the certificate holders has yet to be determined by the end of the financial year are held within the Takaful contract liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Takaful receivables

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

If there is objective evidence that the Takaful receivables are impaired, the Company reduces the carrying amount of the Takaful receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that Takaful 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 in Note 2.2(e) to the financial statements.

Takaful receivables are derecognised when the derecognition criteria for financial assets, as set out in Note 2.2(f) to the financial statements, have been met.

(l) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability, but discloses 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 Company's control 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 Company's control. The Company does not recognise contingent assets, but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(m) Qard

Qard is stated at cost and as of the date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable in the near term. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(e) to the financial statements on impairment of assets.

Qard balances are eliminated in preparing the Company's statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Expense liabilities

Expense liability is maintained in the Shareholders' fund in accordance with the requirements stated in the Guidelines on Valuation Basis for Liabilities of Family Takaful Business issued by BNM.

For Family Takaful Business, the expense liabilities are determined by taking the present value of projected future deficits, discounted at appropriate risk discount rate. Future deficits are defined as the excess of future expense streams over future income cash flows, on an aggregate basis. Negative expense liabilities of Family Takaful Business are zeroised by holding additional expense reserve.

In addition, an appropriate allowance for provision of risk margin for adverse deviation is made in the valuation of these liabilities.

(o) Other revenue recognition

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

Wakalah fees

Wakalah fees represent fees charged by the Shareholders' fund to manage the Takaful certificates issued by the Family Takaful funds under the principle of Wakalah, and are recognised as soon as the contributions, to which they relate, can be reliably measured in accordance with the principles of Shariah.

Profit income

Profit income is recognised using the effective profit rate method.

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Other revenue recognition (continued)

Dividend income

Dividend income is recognised when 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 transactions.

(p) 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 and surplus for the financial year and is measured using the tax rates enacted as of the date of the statement of financial position. Current tax is recognised in profit or loss. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

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 it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be used.

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

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

(q) Provisions

Provisions are recognised when the Company has 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.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits

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

(iii) Share-based payment plan

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

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

(s) Zakat

This represents the tithe amount the Company allocates to the zakat authorities, as approved by the Company's Shariah Committee.

(t) Other financial liabilities and Takaful payables

Other financial liabilities and Takaful 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.

(u) Cash and cash equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(v) Leases

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

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

(i) Lease term

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

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

(ii) Right-of-use assets

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability; and
- Any lease payments made at or before the commencement date less any lease incentive received;

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

While the Company revalues land and building (presented as part of property, plant and equipment) it owns, it has chosen not to revalue the right-of-use building held by the Company.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(v) Leases (continued)

(iii) Lease liabilities

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

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

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

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

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

2.3 Significant accounting judgements, estimates, and assumptions

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates, and assumptions (continued)

(b) Key sources of estimation uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely exactly equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Estimated impairment of intangible asset

The Company tests annually whether the intangible assets on partnership fee is impaired by measuring the recoverable amount of the cash generating units based on the value-in-use method, which requires the use of the estimates of future cash flow projections and discount rate. Changes to the assumption used by Management, particularly the discount rate, may affect the results of the impairment assessment.

(ii) Actuarial liabilities for Family Takaful fund

The liability for Family Takaful 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 Company bases mortality and morbidity on established Malaysian industry tables which reflect historical experiences, adjusted when appropriate to reflect 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 Family Takaful 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 Company's historical experience of lapses and surrenders.

Discount rate for Family Takaful certificates and the non-unit liability of investment-linked certificates accord a level of guarantee which is no less certain than that accorded by a Government Investment Issues (GII).

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NOTES TO THE FINANCIAL STATEMENTS
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3 PROPERTY AND EQUIPMENT

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>				
At 1 January 2019	631	287	839	1,757
Additions	-	-	276	276
Reclassification of work-in-progress to intangible assets	-	-	(996)	(996)
Disposals	(3)	-	-	(3)
At 31 December 2019/ 1 January 2020	628	287	119	1,034
Additions	-	-	829	829
Reclassification of work-in-progress to intangible assets	-	-	(312)	(312)
At 31 December 2020	628	287	636	1,551
<u>Accumulated depreciation</u>				
At 1 January 2019	631	48	-	679
Charge for the financial year (note 21)	-	95	-	95
Disposals	(3)	-	-	(3)
At 31 December 2019/ 1 January 2020	628	143	-	771
Charge for the financial year (note 21)	-	95	-	95
At 31 December 2020	628	238	-	866
<u>Net carrying amount</u>				
31 December 2020	-	49	636	685
31 December 2019	-	144	119	263

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4 INTANGIBLE ASSETS

Shareholders' fund/Company

	<u>Computer software</u> RM'000	<u>Partnership fee</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January 2019	14,453	37,130	51,583
Additions	13	-	13
Reclassification from property and equipment	996	-	996
	<hr/>	<hr/>	<hr/>
At 31 December 2019/1 January 2020	15,462	37,130	52,592
Additions	140	-	140
Reclassification from property and equipment	312	-	312
	<hr/>	<hr/>	<hr/>
At 31 December 2020	15,914	37,130	53,044
	<hr/>	<hr/>	<hr/>
<u>Accumulated amortisation</u>			
At 1 January 2019	13,963	4,217	18,180
Amortisation for the financial year (note 21)	745	3,788	4,533
	<hr/>	<hr/>	<hr/>
At 31 December 2019/1 January 2020	14,708	8,005	22,713
Amortisation for the financial year (note 21)	600	3,788	4,388
	<hr/>	<hr/>	<hr/>
At 31 December 2020	15,308	11,793	27,101
	<hr/>	<hr/>	<hr/>
<u>Accumulated allowance for impairment loss</u>			
At 1 January 2019/31 December 2019	-	-	-
Allowance for impairment loss (note 21)	-	250	250
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	250	250
	<hr/>	<hr/>	<hr/>
<u>Net carrying amount</u>			
31 December 2020	606	25,087	25,693
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2019	754	29,125	29,879
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Sensitivity to changes in key assumptions

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5 FINANCIAL ASSETS

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
Government Investment Issues	213,602	192,917	406,519
Cagamas Sukuk	-	10,988	10,988
Unquoted Sukuk	185,226	852,426	1,037,652
Quoted equity securities	1,803	89,057	90,860
Unit trust funds	-	237,813	237,813
Investments in investment-linked funds	10,830	-	-
Total	<u>411,461</u>	<u>1,383,201</u>	<u>1,783,832</u>
<u>2019</u>			
Government Investment Issues	147,050	176,111	323,161
Cagamas Sukuk	-	10,602	10,602
Unquoted Sukuk	138,187	766,579	904,766
Quoted equity securities	-	65,890	65,890
Unit trust funds	-	84,406	84,406
Investments in investment-linked funds	9,088	-	-
Total	<u>294,325</u>	<u>1,103,588</u>	<u>1,388,825</u>

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

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
AFS	409,658	1,056,331	1,455,159
FVTPL – designated upon initial recognition	1,803	326,870	328,673
Total	<u>411,461</u>	<u>1,383,201</u>	<u>1,783,832</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

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

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2019</u>			
AFS	294,325	953,292	1,238,529
FVTPL – designated upon initial recognition	-	150,296	150,296
Total	<u>294,325</u>	<u>1,103,588</u>	<u>1,388,825</u>

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

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
AFS	<u>395,815</u>	<u>990,416</u>	<u>1,386,231</u>
<u>2019</u>			
AFS	<u>260,054</u>	<u>938,254</u>	<u>1,198,308</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(a) AFS

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2020</u>			
Government Investment Issues	213,602	192,917	406,519
Cagamas Sukuk	-	10,988	10,988
Unquoted Sukuk	185,226	852,426	1,037,652
Investments in investment-linked funds	10,830	-	-
Total	<u>409,658</u>	<u>1,056,331</u>	<u>1,455,159</u>
<u>2019</u>			
Government Investment Issues	147,050	176,111	323,161
Cagamas Sukuk	-	10,602	10,602
Unquoted Sukuk	138,187	766,579	904,766
Investments in investment-linked funds	9,088	-	-
Total	<u>294,325</u>	<u>953,292</u>	<u>1,238,529</u>

(b) FVTPL – designated upon initial recognition

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2020</u>			
Quoted equity securities	1,803	89,057	90,860
Unit trust funds	-	237,813	237,813
Total	<u>1,803</u>	<u>326,870</u>	<u>328,673</u>
<u>2019</u>			
Quoted equity securities	-	65,890	65,890
Unit trust funds	-	84,406	84,406
Total	<u>-</u>	<u>150,296</u>	<u>150,296</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	Available-for-sale		FVTPL		Company RM'000
	Share- holders' fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2020	294,325	953,292	-	150,296	1,388,825
Purchases	130,325	141,934	1,761	213,797	487,817
Maturities	(25,003)	(14,990)	-	-	(39,993)
Disposals	-	(45,510)	-	(73,679)	(119,189)
Fair value gains recorded in:					
Profit or loss (note 18)	-	-	42	36,456	36,498
Other comprehensive income	9,574	21,803	-	-	31,377
Elimination of fair value loss from Shareholders' fund investment in investment-linked funds	-	-	-	-	(1,742)
Movement in accrued profit	1,074	541	-	-	1,615
Amortisation adjustments (note 16)	(637)	(739)	-	-	(1,376)
At 31 December 2020	<u>409,658</u>	<u>1,056,331</u>	<u>1,803</u>	<u>326,870</u>	<u>1,783,832</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	Available-for-sale		FVTPL		Company RM'000
	Share- holders' fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2019	334,522	838,310	-	103,926	1,268,206
Purchases	60,103	180,062	-	106,508	346,673
Maturities	(5,054)	(28,178)	-	-	(33,232)
Disposals	(102,464)	(88,583)	-	(68,938)	(259,985)
Fair value gains recorded in:					
Profit or loss (note 18)	-	-	-	8,800	8,800
Other comprehensive income	7,842	50,269	-	-	58,111
Elimination of fair value loss from Shareholders' fund investment in investment-linked funds	-	-	-	-	(536)
Movement in accrued profit	(512)	1,343	-	-	831
(Amortisation)/accretion adjustments (note 16)	(112)	69	-	-	(43)
At 31 December 2019	<u>294,325</u>	<u>953,292</u>	<u>-</u>	<u>150,296</u>	<u>1,388,825</u>

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5 **FINANCIAL ASSETS (CONTINUED)**

(d) Fair value hierarchy

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

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

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

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

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

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2020.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2020</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	213,602	213,602
- Unquoted Sukuk	-	185,226	185,226
- Investments in investment-linked funds	10,830	-	10,830
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	1,803	-	1,803
	<u>12,633</u>	<u>398,828</u>	<u>411,461</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2020 (continued)</u>			
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	192,917	192,917
- Cagamas Sukuk	-	10,988	10,988
- Unquoted Sukuk	-	852,426	852,426
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	89,057	-	89,057
- Unit trust funds	237,813	-	237,813
	<u>326,870</u>	<u>1,056,331</u>	<u>1,383,201</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	406,519	406,519
- Cagamas Sukuk	-	10,988	10,988
- Unquoted Sukuk	-	1,037,652	1,037,652
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	90,860	-	90,860
- Unit trust funds	237,813	-	237,813
	<u>328,673</u>	<u>1,455,159</u>	<u>1,783,832</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2019</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	147,050	147,050
- Unquoted Sukuk	-	138,187	138,187
- Investments in investment-linked funds	9,088	-	9,088
	<u>9,088</u>	<u>285,237</u>	<u>294,325</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	176,111	176,111
- Cagamas Sukuk	-	10,602	10,602
- Unquoted Sukuk	-	766,579	766,579
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	65,890	-	65,890
- Unit trust funds	84,406	-	84,406
	<u>150,296</u>	<u>953,292</u>	<u>1,103,588</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	323,161	323,161
- Cagamas Sukuk	-	10,602	10,602
- Unquoted Sukuk	-	904,766	904,766
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	65,890	-	65,890
- Unit trust funds	84,406	-	84,406
	<u>150,296</u>	<u>1,238,529</u>	<u>1,388,825</u>

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

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6 FINANCING AND RECEIVABLES

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>2020</u>			
Fixed and call deposits with licensed financial institutions	53,024	105,489	158,513
Receivable within 12 months	53,024	105,489	158,513
<u>2019</u>			
Fixed and call deposits with licensed financial institutions	103,981	76,760	180,741
Receivable within 12 months	103,981	76,760	180,741

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

There are no fixed and call deposits pledged to a financial institution for a bank guarantee facility as at 31 December 2020 (2019: RM1,984,016).

7 TAKAFUL RECEIVABLES

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>2020</u>			
Outstanding contributions including agents, brokers and co-takaful balances	1	3,091	3,092
Less: Allowance for impairment (note 30)	-	-	-
	1	3,091	3,092
Amount due from retakaful operators	674	5,692	6,366
Less: Allowance for impairment (note 30)	(674)	-	(674)
	-	5,692	5,692
Total	1	8,783	8,784

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7 TAKAFUL RECEIVABLES (CONTINUED)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u> (continued)			
Gross amounts of recognised financial assets	284	13,216	13,500
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(283)	(4,433)	(4,716)
Net amounts of financial assets presented in the statement of financial position	<u>1</u>	<u>8,783</u>	<u>8,784</u>
<u>2019</u>			
Outstanding contributions including agents, brokers and co-takaful balances	-	2,741	2,741
Less: Allowance for impairment (note 30)	-	-	-
	<u>-</u>	<u>2,741</u>	<u>2,741</u>
Amount due from retakaful operators	679	12,492	13,171
Less: Allowance for impairment (note 30)	(679)	-	(679)
	<u>-</u>	<u>12,492</u>	<u>12,492</u>
Total	<u>-</u>	<u>15,233</u>	<u>15,233</u>
Gross amounts of recognised financial assets	284	18,459	18,743
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(284)	(3,226)	(3,510)
Net amounts of financial assets presented in the statement of financial position	<u>-</u>	<u>15,233</u>	<u>15,233</u>

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

There are no financial instruments subjected to an enforceable master netting arrangements or financial collaterals (including cash collaterals) pledged or received as at 31 December 2020 (2019: nil).

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8 RETAKAFUL ASSETS

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
Retakaful of Takaful contracts			
- Takaful contract liabilities (note 11)	48	125,836	125,884
	<u>48</u>	<u>125,836</u>	<u>125,884</u>
Receivable within 12 months	48	40,047	63,359
Receivable after 12 months	-	85,789	62,525
	<u>48</u>	<u>125,836</u>	<u>125,884</u>
<u>2019</u>			
Retakaful of Takaful contracts			
- Takaful contract liabilities (note 11)	48	124,556	124,604
	<u>48</u>	<u>124,556</u>	<u>124,604</u>
Receivable within 12 months	48	38,469	38,517
Receivable after 12 months	-	86,087	86,087
	<u>48</u>	<u>124,556</u>	<u>124,604</u>

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9 OTHER RECEIVABLES

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
Dividend receivable	-	183	183
Interfund balances	5,330	-	-
Surplus sharing from Family Takaful fund	10,200	-	-
Sharing of investment income from Participants' Account fund	5,247	-	-
Tax recoverable ¹	2,373	5,260	7,633
Other receivables	311	1,227	1,538
	<u>23,461</u>	<u>6,670</u>	<u>9,354</u>
Less: Allowance for impairment (note 30)	(90)	-	(90)
	<u>23,371</u>	<u>6,670</u>	<u>9,264</u>
Receivable within 12 months	<u>23,371</u>	<u>6,670</u>	<u>9,264</u>
<u>2019</u>			
Amount due from related party	-	898	898
Dividend receivable	-	127	127
Interfund balances	3,767	-	-
Surplus sharing from Family Takaful fund	10,969	-	-
Sharing of investment income from Participants' Account fund	3,606	-	-
Tax recoverable ¹	78	5,847	5,925
Other receivables	400	794	1,194
	<u>18,820</u>	<u>7,666</u>	<u>8,144</u>
Receivable within 12 months	<u>18,820</u>	<u>7,666</u>	<u>8,144</u>

¹ The Company received a Notice of Additional Assessment ("Form JA") dated 28 December 2018 for Year of Assessment (YA) 2013, 31 December 2019 for YA 2014 and 29 December 2020 for YA 2015. Inland Revenue Board (IRB) is of the view that retakaful contribution returned to the ceded company is commission earned and taxable as other incidental income under the Income Tax 1967. The Company disagreed with IRB's justification as the retakaful contribution should be a business deduction and not be treated as other incidental income which is subject to tax.

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9 OTHER RECEIVABLES (CONTINUED)

IRB also disallowed the tax deduction of PIDM premium under Shareholders' fund. The Company disagrees with the IRB's justification as the deduction is in line with the IRB's confirmation.

However, the Company has paid the additional taxes under protest and is pursuing this matter with IRB.

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

Amount due from related party is unsecured, profit free and has no fixed repayment terms.

10 DEFERRED TAX LIABILITIES

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.

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

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2020</u>			
Deferred tax liabilities	4,922	9,625	14,547
Current	(68)	-	(68)
Non-current	4,990	9,625	14,615
	<u>4,922</u>	<u>9,625</u>	<u>14,547</u>
<u>2019</u>			
Deferred tax liabilities	2,697	5,131	7,828
Current	(15)	-	(15)
Non-current	2,712	5,131	7,843
	<u>2,697</u>	<u>5,131</u>	<u>7,828</u>

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10 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax liabilities are as follows:

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
At 1 January	2,697	5,131	7,828
<u>(Credited)/charged to profit or loss</u>			
- Property and equipment	-	(14)	(14)
- FVTPL financial assets	(143)	2,764	2,621
- Expense liabilities	123	-	123
- Provision of expenses	(53)	-	(53)
Taxation (note 23)	(73)	2,750	2,677
<u>Charged to other comprehensive income</u>			
- AFS financial assets	2,298	1,744	4,042
	<u>4,922</u>	<u>9,625</u>	<u>14,547</u>
<u>2019</u>			
At 1 January	816	353	1,169
<u>(Credited)/charged to profit or loss</u>			
- FVTPL financial assets	(27)	756	729
- Expense liabilities	(17)	-	(17)
- Provision of expenses	43	-	43
Taxation (note 23)	(1)	756	755
<u>Charged to other comprehensive income</u>			
- AFS financial assets	1,882	4,022	5,904
	<u>2,697</u>	<u>5,131</u>	<u>7,828</u>

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10 DEFERRED TAX LIABILITIES (CONTINUED)

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

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
<u>Subject to income tax:</u>			
<u>Deferred tax assets</u> (before offsetting)			
Provision of expenses	67	-	67
	<u>67</u>	<u>-</u>	<u>67</u>
Offsetting	(67)	-	(67)
	<u>(67)</u>	<u>-</u>	<u>(67)</u>
Deferred tax assets (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>
<u>Deferred tax liabilities</u> (before offsetting)			
Financial assets	4,989	9,545	14,534
Property and equipment	-	80	80
	<u>4,989</u>	<u>9,625</u>	<u>14,614</u>
Offsetting	(67)	-	(67)
	<u>(67)</u>	<u>-</u>	<u>(67)</u>
Deferred tax liabilities (after offsetting)	<u>4,922</u>	<u>9,625</u>	<u>14,547</u>

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10 DEFERRED TAX LIABILITIES (CONTINUED)

The composition of deferred tax liabilities before and after appropriate offsetting, is as follows:
(continued)

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2019</u>			
<u>Subject to income tax:</u>			
<u>Deferred tax assets</u> (before offsetting)			
Expense liabilities	123	-	123
Provision of expenses	14	-	14
	<u>137</u>	<u>-</u>	<u>137</u>
Offsetting	(137)	-	(137)
	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax assets (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>
<u>Deferred tax liabilities</u> (before offsetting)			
Financial assets	2,834	5,037	7,871
Property and equipment	-	94	94
	<u>2,834</u>	<u>5,131</u>	<u>7,965</u>
Offsetting	(137)	-	(137)
	<u>2,697</u>	<u>5,131</u>	<u>7,828</u>
Deferred tax liabilities (after offsetting)	<u>2,697</u>	<u>5,131</u>	<u>7,828</u>

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11 TAKAFUL CONTRACT LIABILITIES

	2020			2019		
	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross	299	1,571,527	1,560,996	659	1,264,047	1,255,618
Retakaful (note 8)	(48)	(125,836)	(125,884)	(48)	(124,556)	(124,604)
Net	251	1,445,691	1,435,112	611	1,139,491	1,131,014
Current	251	134,081	134,332	611	137,378	137,989
Non-current	-	1,311,610	1,300,780	-	1,002,113	993,025
	251	1,445,691	1,435,112	611	1,139,491	1,131,014

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities

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

	2020			2019		
	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000
Certificate holders' Liabilities	1,084,312	(96,262)	988,050	1,000,365	(97,618)	902,747
Net asset value attributable to certificate holders	235,755	-	235,755	82,989	-	82,989
Actuarial liabilities	1,320,067	(96,262)	1,223,805	1,083,354	(97,618)	985,736
Claims liabilities	57,132	(29,574)	27,558	57,942	(26,938)	31,004
Unallocated surplus	121,102	-	121,102	69,584	-	69,584
Available-for-sale fair value adjustment						
- Gross	79,594	-	79,594	57,791	-	57,791
- deferred tax	(6,368)	-	(6,368)	(4,624)	-	(4,624)
- net	73,226	-	73,226	53,167	-	53,167
	<u>1,571,527</u>	<u>(125,836)</u>	<u>1,445,691</u>	<u>1,264,047</u>	<u>(124,556)</u>	<u>1,139,491</u>

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>2020</u>	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2020	1,264,047	(124,556)	1,139,491
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	31,826	(61,057)	(29,231)
Benefits	(166,366)	95,182	(71,184)
Investment returns	36,576	(1,352)	35,224
Others	24,609	(23,779)	830
Experience variance on inforce Takaful certificates	(125,326)	293	(125,033)
Reserve on new Takaful certificates	300,261	(23,158)	277,103
Miscellaneous	(17,633)	15,227	(2,406)
Movement in net asset value attributable to certificate holders	152,766	-	152,766
Movement in claims liabilities	(810)	(2,636)	(3,446)
Movement in unallocated surplus	51,518	-	51,518
Movement in AFS fair value adjustment	20,059	-	20,059
At 31 December 2020	<u>1,571,527</u>	<u>(125,836)</u>	<u>1,445,691</u>

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>2019</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2019	1,067,695	(92,417)	975,278
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	27,378	(64,967)	(37,589)
Benefits	(161,520)	77,437	(84,083)
Investment returns	35,596	(2,175)	33,421
Others	(2,211)	(1,283)	(3,494)
Experience variance on inforce Takaful certificates	(32,851)	(781)	(33,632)
Reserve on new Takaful certificates	175,480	(24,888)	150,592
Miscellaneous	1,563	(4,474)	(2,911)
Movement in net asset value attributable to certificate holders	39,346	-	39,346
Movement in claims liabilities	22,349	(11,008)	11,341
Movement in unallocated surplus	44,975	-	44,975
Movement in AFS fair value adjustment	46,247	-	46,247
At 31 December 2019	<u>1,264,047</u>	<u>(124,556)</u>	<u>1,139,491</u>

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) Shareholders' Takaful contract liabilities

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

	2020			2019		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
Provision for IBNR	42	-	42	229	-	229
Provision for claims reported by certificate holders	257	(48)	209	430	(48)	382
Provision for outstanding claims (i)	299	(48)	251	659	(48)	611

(i) Provision for outstanding claims

	2020			2019		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January	659	(48)	611	1,916	(545)	1,371
Movement in claims liability	(360)	-	(360)	(1,257)	497	(760)
At 31 December	299	(48)	251	659	(48)	611

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Takaful contract liabilities at Company level

	2020			2019		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
Family Takaful fund (note 11(a))	1,571,527	(125,836)	1,445,691	1,264,047	(124,556)	1,139,491
Shareholders' fund (note 11(b))	299	(48)	251	659	(48)	611
	<u>1,571,826</u>	<u>(125,884)</u>	<u>1,445,942</u>	<u>1,264,706</u>	<u>(124,604)</u>	<u>1,140,102</u>
Elimination of shareholders' fund investment in investment-linked funds	(10,830)	-	(10,830)	(9,088)	-	(9,088)
Total	<u>1,560,996</u>	<u>(125,884)</u>	<u>1,435,112</u>	<u>1,255,618</u>	<u>(124,604)</u>	<u>1,131,014</u>

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12 TAKAFUL PAYABLES

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2020</u>			
Due to agents and intermediaries	4	5,227	5,231
Due to retakaful operators and cedants	284	10,649	10,933
	<u>288</u>	<u>15,876</u>	<u>16,164</u>
Gross amounts of recognised financial liabilities	571	20,309	20,880
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(283)	(4,433)	(4,716)
Net amounts of financial liabilities presented in the statement of financial position	<u>288</u>	<u>15,876</u>	<u>16,164</u>
<u>2019</u>			
Due to agents and intermediaries	7	3,839	3,846
Due to retakaful operators and cedants	2,191	9,131	11,322
	<u>2,198</u>	<u>12,970</u>	<u>15,168</u>
Gross amounts of recognised financial Liabilities	2,482	16,196	18,678
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(284)	(3,226)	(3,510)
Net amounts of financial liabilities presented in the statement of financial position	<u>2,198</u>	<u>12,970</u>	<u>15,168</u>

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

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 2020 (2019: nil).

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13 OTHER PAYABLES

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2020</u>			
Amount due to related parties	8,584	(617)	7,967
Amount due to fund managers	-	288	288
Accrual for professional fees	630	-	630
Interfund balances	-	5,330	-
Deposits received	-	9,152	9,152
Surplus sharing to Takaful Operator	-	10,200	-
Sharing of investment income from Participants' Account fund	-	5,247	-
Accrual for sales and marketing expenses	12,643	-	12,643
Accrual for sharing of wakalah fees	398	-	398
Other payables and accrued liabilities	5,844	9,619	15,463
	<u>28,099</u>	<u>39,219</u>	<u>46,541</u>
Payable within 12 months	<u>28,099</u>	<u>39,219</u>	<u>46,541</u>
<u>2019</u>			
Amount due to related parties	8,606	-	8,606
Amount due to fund managers	-	21,845	21,845
Accrual for professional fees	784	-	784
Interfund balances	-	3,767	-
Deposits received	-	4,926	4,926
Surplus sharing to Takaful Operator	-	10,969	-
Sharing of investment income from Participants' Account fund	-	3,606	-
Accrual for sales and marketing expenses	13,304	-	13,304
Accrual for sharing of wakalah fees	462	-	462
Other payables and accrued liabilities	5,568	9,089	14,657
	<u>28,724</u>	<u>54,202</u>	<u>64,584</u>
Payable within 12 months	<u>28,724</u>	<u>54,202</u>	<u>64,584</u>

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

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14 SHARE CAPITAL

	2020		2019	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<u>Issued and paid-up</u>				
Ordinary shares with no par value:				
- At 1 January	100,000	199,990	100,000	199,990
- Issuance of ordinary shares	40,000	40,000	-	-
	<u>140,000</u>	<u>239,990</u>	<u>100,000</u>	<u>199,990</u>
Islamic Perpetual Noncumulative Preference Shares (IPPS) with no par value:				
- At 1 January	100	10	100	10
- At 31 December	<u>140,100</u>	<u>240,000</u>	<u>100,100</u>	<u>200,000</u>

During the financial year ended 31 December 2020, the Company had increased its issued and paid-up share capital from RM100,010,000 to RM140,010,000 by way of the issuance of 40,000,000 ordinary shares of RM1.00 each.

Features of the Islamic Perpetual Noncumulative Preference Shares (IPPS)

The IPPS are subordinated and unsecured obligations of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The IPPS 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 IPPS confers on the holder the right to receive a noncumulative gross dividend of 8% per annum, payable annually in arrears on the anniversary of the issue date of the IPPS. The payment of dividend on the IPPS is at the Company's discretion.

The IPPS are not convertible to ordinary shares of the Company and the tenure of the IPPS is perpetual and redeemable after year 5 (33,000 in year 2015 and 67,000 in year 2016) 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.

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15	NET EARNED CONTRIBUTION		<u>2020</u> RM'000	<u>2019</u> RM'000
	(a)	Gross earned contribution		
		Takaful contracts:		
		Family Takaful	599,042	429,040
			<u>599,042</u>	<u>429,040</u>
	(b)	Contribution ceded		
		Takaful contracts:		
		Family Takaful	(68,519)	(70,206)
			<u>(68,519)</u>	<u>(70,206)</u>
		Net earned contribution	<u>530,523</u>	<u>358,834</u>
16	INVESTMENT INCOME			
			Shareholders' <u>fund</u> RM'000	Family Takaful <u>fund</u> RM'000
				<u>Company</u> RM'000
		<u>2020</u>		
		<u>AFS financial assets</u>		
		Profit income	13,137	43,443
		Amortisation of premiums – net	(637)	(739)
		<u>FVTPL – designated upon initial recognition</u>		
		Dividend income	-	5,139
		<u>Financing and receivables</u>		
		Profit income	1,429	1,016
		Sharing of investment income from Participants' Account fund	5,239	-
			<u>19,168</u>	<u>48,859</u>
				<u>62,788</u>

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16 INVESTMENT INCOME (CONTINUED)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2019</u>			
<u>AFS financial assets</u>			
Profit income	13,342	40,694	54,036
(Amortisation of premiums)/ accretion of discounts – net	(112)	69	(43)
<u>FVTPL – designated upon initial recognition</u>			
Dividend income	-	2,867	2,867
<u>Financing and receivables</u>			
Profit income	1,454	2,083	3,537
Sharing of investment income from Participants' Account fund	3,599	-	-
	18,283	45,713	60,397
	18,283	45,713	60,397

17 REALISED GAINS

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
<u>AFS financial assets</u>			
Unquoted Sukuk	47	1,238	1,285
Government Investment Issues	(50)	1,660	1,610
	(3)	2,898	2,895
	(3)	2,898	2,895
<u>2019</u>			
<u>AFS financial assets</u>			
Unquoted Sukuk	1,725	2,459	4,184
Government Investment Issues	4,153	490	4,643
	5,878	2,949	8,827
	5,878	2,949	8,827

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18 NET FAIR VALUE GAINS

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	-	13,864	13,864
- unrealised	42	36,456	36,498
	42	50,320	50,362
	42	50,320	50,362
<u>2019</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	-	2,199	2,199
- unrealised	-	8,800	8,800
	-	10,999	10,999
	-	10,999	10,999

19 OTHER OPERATING INCOME

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2020</u>			
Writeback of allowance for impairment loss (note 30)	5	-	5
Fee income	3,457	-	3,457
Provision for expense liability	16	-	16
Others	1,011	30	1,041
	4,489	30	4,519
	4,489	30	4,519
<u>2019</u>			
Writeback of allowance for impairment loss (note 30)	10	-	10
Fee income	2,408	-	2,408
Provision for expense liability	96	-	96
Others	375	67	442
	2,889	67	2,956
	2,889	67	2,956

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20	NET BENEFITS AND CLAIMS	<u>2020</u> RM'000	<u>2019</u> RM'000
(a)	Gross benefits and claims paid		
	Takaful contracts:		
	Family Takaful	(209,604)	(188,359)
	Shareholder's fund	(630)	(448)
		<u>(210,234)</u>	<u>(188,807)</u>
(b)	Claims ceded to retakaful operators		
	Takaful contracts:		
	Family Takaful	60,590	66,555
		<u>60,590</u>	<u>66,555</u>
(c)	Gross change in Takaful contract liabilities		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	(236,713)	(82,781)
	- Movement in claims liabilities	810	(22,349)
	- Movement in unallocated surplus	(51,518)	(44,975)
		<u>(287,421)</u>	<u>(150,105)</u>
	<u>Shareholder's fund</u>		
	- Movement in provision for outstanding claims	360	1,257
		<u>(287,061)</u>	<u>(148,848)</u>
(d)	Change in Takaful contract liabilities ceded to retakaful operators		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	(1,356)	21,131
	- Movement in claims liabilities	2,636	11,008
		<u>1,280</u>	<u>32,139</u>
	<u>Shareholder's fund</u>		
	- Movement in provision for outstanding claims	-	(497)
		<u>1,280</u>	<u>31,642</u>

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21	MANAGEMENT EXPENSES	<u>2020</u> RM'000	<u>2019</u> RM'000
	<u>Shareholders' fund/Company</u>		
	Staff salaries and bonus	38,308	37,646
	Defined contribution plan	5,364	5,104
	Share based payment plan (note 21(a))	824	956
	Other staff costs	3,575	2,023
		48,071	45,729
	Auditors' remuneration:		
	Statutory audit		
	- current financial year	360	351
	- under provision in prior financial years	8	-
	Non-audit services	128	128
	Directors' fees and other emoluments:-		
	- current financial year (note 21(b))	643	680
	Shariah Committee remuneration:		
	- fees	178	188
	Allowance for impairment loss of intangible assets (note 4)	250	-
	Amortisation of intangible assets (note 4)	4,388	4,533
	Amortisation of right-of-use assets	67	67
	Depreciation of property and equipment (note 3)	95	95
	Third party administrator fee	91	37
	Printing and stationery	1,113	1,255
	Sales and marketing expenses	40,397	43,601
	Advertising cost	1,986	1,812
	Professional fees	2,915	1,849
	Electronic data processing expenses	5,408	4,763
	Other expenses	9,075	10,526
		115,173	115,614

(a) 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>2020</u> RM'000	<u>2019</u> RM'000
Sun Share Unit Plan	824	956

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

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21 MANAGEMENT EXPENSES (CONTINUED)

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

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

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits- in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
<u>2020</u>						
Chief Executive Officer:						
Encik Muhammad Fikri Bin Mohamad Rawi	795	111	22	82	-	1,010
	<u>795</u>	<u>111</u>	<u>22</u>	<u>82</u>	<u>-</u>	<u>1,010</u>
Executive Director:						
Encik Karim Gilani	-	-	-	-	-	-
Non-Executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	198	198
Encik Wong Ah Kow	-	-	-	-	177	177
Dato' Khodijah Binti Abdullah	-	-	-	-	173	173
Encik Ooi Say Teng	-	-	-	-	95	95
	<u>795</u>	<u>111</u>	<u>22</u>	<u>82</u>	<u>643</u>	<u>1,653</u>

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21 MANAGEMENT EXPENSES (CONTINUED)

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

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

<u>Total value of remuneration awards for the financial year:</u>	<u>Fixed</u>	<u>Variable</u>			<u>Total</u>
	<u>remuneration</u>	<u>remuneration</u>			
	<u>Cash-based</u>	<u>Cash-based</u>	<u>Shares and share</u>	<u>Benefits-</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>linked instruments</u>	<u>in-kind</u>	<u>RM'000</u>
			<u>RM'000</u>	<u>RM'000</u>	
<u>2020</u>					
Chief Executive Officer:					
Encik Muhammad Fikri Bin Mohamad Rawi	754	152	82	22	1,010
	<u>754</u>	<u>152</u>	<u>82</u>	<u>22</u>	<u>1,010</u>
Executive Director:					
Encik Karim Gilani	-	-	-	-	-
Non-Executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	180	18	-	-	198
Encik Wong Ah Kow	160	17	-	-	177
Dato' Khodijah Binti Abdullah	155	18	-	-	173
Encik Ooi Say Teng	90	5	-	-	95
	<u>1,339</u>	<u>210</u>	<u>82</u>	<u>22</u>	<u>1,653</u>

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, the Company had paid RM99,434 for shares and share-linked instruments.

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21 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:

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits- in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
<u>2019</u>						
Chief Executive Officer:						
Encik Muhammad Fikri Bin Mohamad Rawi	867	121	25	81	-	1,094
	<u>867</u>	<u>121</u>	<u>25</u>	<u>81</u>	<u>-</u>	<u>1,094</u>
Executive Director:						
Encik Karim Gilani	-	-	-	-	-	-
Non-Executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	187	187
Encik Wong Ah Kow	-	-	-	-	72	72
Dato' Khodijah Binti Abdullah	-	-	-	-	70	70
Encik Ooi Say Teng	-	-	-	-	96	96
Dato' Mohd Shukri Bin Hussin	-	-	-	-	55	55
Encik Jose Isidro Navato Camacho	-	-	-	-	64	64
Encik Izlan Bin Izhab	-	-	-	-	48	48
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	88	88
	<u>867</u>	<u>121</u>	<u>25</u>	<u>81</u>	<u>680</u>	<u>1,774</u>

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21 MANAGEMENT EXPENSES (CONTINUED)

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

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

<u>Total value of remuneration awards for the financial year:</u>	<u>Fixed remuneration</u>		<u>Shares and share linked instruments</u>	<u>Variable remuneration</u>		<u>Total</u>
	<u>Cash-based</u>	<u>Cash-based</u>		<u>Benefits-</u>	<u>in-kind</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>2019</u>						
Chief Executive Officer:						
Encik Muhammad Fikri Bin Mohamad Rawi	725	263	81	25		1,094
	<u>725</u>	<u>263</u>	<u>81</u>	<u>25</u>		<u>1,094</u>
Executive Director:						
Encik Karim Gilani	-	-	-	-		-
Non-Executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	172	15	-	-		187
Encik Wong Ah Kow	64	8	-	-		72
Dato' Khodijah Binti Abdullah	62	8	-	-		70
Encik Ooi Say Teng	90	6	-	-		96
Dato' Mohd Shukri Bin Hussin	52	3	-	-		55
Encik Jose Isidro Navato Camacho	60	4	-	-		64
Encik Izlan Izhab	46	2	-	-		48
Encik Pushpanathan A/L S.A. Kanagarayar	82	6	-	-		88
	<u>1,353</u>	<u>315</u>	<u>81</u>	<u>25</u>		<u>1,774</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.

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22 OTHER OPERATING EXPENSES

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2020</u>			
Sharing of investment income to Shareholders' fund	-	5,239	-
Allowance of impairment loss (note 30)	90	-	90
Refund of wakalah fees	6,092	-	6,092
Withholding tax	-	3,573	3,573
Others	835	451	1,286
	<u>7,017</u>	<u>9,263</u>	<u>11,041</u>
<u>2019</u>			
Sharing of investment income to Shareholders' fund	-	3,599	-
Refund of wakalah fees	11,757	-	11,757
Withholding tax	-	2,547	2,547
Others	2,094	596	2,690
	<u>13,851</u>	<u>6,742</u>	<u>16,994</u>

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23 TAXATION

	2020			2019		
	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	Company RM'000
Tax expense on the profit for the financial year						
Income tax:						
Current financial year	8,062	1,879	9,941	8,917	1,334	10,251
(Over)/under provision in prior financial years	(970)	(85)	(1,055)	1,881	(313)	1,568
	<u>7,092</u>	<u>1,794</u>	<u>8,886</u>	<u>10,798</u>	<u>1,021</u>	<u>11,819</u>
Deferred tax (note 10):						
Relating to origination and reversal of temporary differences	(73)	2,750	2,677	(1)	756	755
	<u>7,019</u>	<u>4,544</u>	<u>11,563</u>	<u>10,797</u>	<u>1,777</u>	<u>12,574</u>
Tax expense attributable to Shareholders	7,019	-	7,019	10,797	-	10,797
Tax expense attributable to participants	-	4,544	4,544	-	1,777	1,777
	<u>7,019</u>	<u>4,544</u>	<u>11,563</u>	<u>10,797</u>	<u>1,777</u>	<u>12,574</u>

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23 TAXATION (CONTINUED)

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
Profit before taxation attributable to Shareholders	23,136	13,838
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	5,553	3,321
Income not subject to tax	(41,709)	(38,390)
Expenses not deductible for tax purposes	44,145	43,985
(Over)/under provision in prior financial years	(970)	1,881
Tax expense attributable to Shareholders	7,019	10,797
Tax expense attributable to participants	4,544	1,777
	<u>11,563</u>	<u>12,574</u>

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24 INVESTMENT-LINKED FUNDS

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of its investment-linked funds as follows:

STATEMENT OF FINANCIAL POSITION

	<u>2020</u> RM'000	<u>2019</u> RM'000
ASSETS		
Fair value through profit or loss financial assets	237,813	82,701
Other receivables	803	499
Cash and bank balances	43	55
	<u>238,659</u>	<u>83,255</u>
LIABILITIES		
Other liabilities	217	33
Deferred tax liabilities	2,585	228
Current tax liabilities	102	5
	<u>2,904</u>	<u>266</u>
NET ASSET VALUE	<u><u>235,755</u></u>	<u><u>82,989</u></u>

REPRESENTED BY:

CERTIFICATE HOLDERS' ACCOUNT

At beginning of the financial year	82,989	43,643
Net creation of units	189,508	53,665
Net cancellation of units	(67,941)	(20,571)
Surplus for the financial year after taxation	31,199	6,252
At end of the financial year	<u><u>235,755</u></u>	<u><u>82,989</u></u>

STATEMENT OF INCOME AND EXPENDITURE

Investment income	2,925	1,100
Net fair value gains	30,733	5,600
Surplus before taxation	<u>33,658</u>	<u>6,700</u>
Taxation:		
- current tax	(102)	(5)
- deferred tax	(2,356)	(443)
Surplus for the financial year after taxation	<u><u>31,199</u></u>	<u><u>6,252</u></u>

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25 INFORMATION ON CASH FLOWS BY FUNDS

	Shareholders' <u>fund</u> RM'000	Family Takaful <u>fund</u> RM'000	<u>Company</u> RM'000
<u>2020</u>			
Cash flows from:			
Operating activities	(42,193)	(4,311)	(46,504)
Investing activities	(969)	-	(969)
Financing activities	39,934	-	39,934
	<hr/>	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(3,228)	(4,311)	(7,539)
Cash and cash equivalents:			
At beginning of the financial year	4,505	11,939	16,444
	<hr/>	<hr/>	<hr/>
At end of the financial year	1,277	7,628	8,905
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>2019</u>			
Cash flows from:			
Operating activities	430	(6,679)	(6,249)
Investing activities	(4,289)	-	(4,289)
Financing activities	(68)	-	(68)
	<hr/>	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(3,927)	(6,679)	(10,606)
Cash and cash equivalents:			
At beginning of the financial year	8,432	18,618	27,050
	<hr/>	<hr/>	<hr/>
At end of the financial year	4,505	11,939	16,444
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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26 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationships with, 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
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
Yayasan Khazanah	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 Islamic Bank Berhad (CIBB)	Malaysia	Subsidiary of CIMBG
Principal Asset Management Berhad (Principal)	Malaysia	Subsidiary of CIMBG
Sun Life Malaysia Assurance Berhad (SLMAB)	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 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 Company.

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26 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.

<u>(Income)/ expenses</u>	<u>Location</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
Contribution income received from SLMAB	Malaysia	(362)	(338)
Contribution income received from Principal	Malaysia	(142)	(156)
Contribution income received from Yayasan Khazanah	Malaysia	(100)	(110)
Profit income earned from deposits placed with CIBB	Malaysia	(818)	(716)
Shared services expenses paid/payable to SLMAB	Malaysia	64,778	64,863
Commissions paid to CIMB	Malaysia	667	-
Commissions paid to CIBB	Malaysia	45,172	45,840
Rental expenses paid to SLMAB	Malaysia	70	71
Sales and marketing expenses paid to CIMB Bank	Malaysia	17,233	20,015
Sales and marketing expenses paid to CIBB	Malaysia	713	452
Sales and marketing expenses paid to Principal	Malaysia	288	67
Partnership fees paid to Principal	Malaysia	-	4,000
Agency access fee paid to Principal	Malaysia	3,200	4,000
		<u>3,200</u>	<u>4,000</u>

Included in the statement of financial position of the Company are significant related party balances, represented by the following:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Amount due to other related companies within the KNB group:		
Amount due to SLMAB *	(6,516)	(7,708)
Amount due to CIMB Bank *	-	(3,896)
Amount due to CIBB *	(1,038)	(3,239)
Amount due to Principal *	(413)	(3,488)
	<u>(8,987)</u>	<u>(14,331)</u>

* These related party balances are current, unsecured, non-profit bearing and have no fixed repayment terms.

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26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
Salaries and other short-term employee benefits	795	867
Defined contribution plan	125	121
Fees and allowance	643	680
Share-based payment plan	824	956
	<u>2,387</u>	<u>2,624</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM22,200 (2019: RM25,093).

Compensation of senior management and other material risk takers

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

	<u>2020</u>			<u>2019</u>		
	<u>Number of persons</u>	<u>Unrestricted RM'000</u>	<u>Deferred RM'000</u>	<u>Number of persons</u>	<u>Unrestricted RM'000</u>	<u>Deferred RM'000</u>
Fixed remuneration						
Cash-based	1	754	-	1	725	-
Variable remuneration						
Cash-based	1	152	-	1	263	-
Shares and share-linked remuneration	1	-	82	1	-	81
Benefits-in-kind	1	22	-	1	25	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)****27 RISK MANAGEMENT FRAMEWORK****(a) Risk management**

The Board recognises that risk management is an integral part of the Company's business objectives and it is critical for the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Company has put in place a Risk Management Framework (RMF) to manage its 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 (IC), that provides oversight responsibilities on operational, financial and Takaful risks management in facilitating the optimisation of the risk and return profile of the Company.

The RMF involves an on-going process of identifying, measuring, managing, monitoring and reporting significant risks affecting the achievement of 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 Company's strategies and functional activities throughout the financial year.

The Company operates 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 Company has a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As the Company's business responds to changing market conditions and customer needs, the management regularly monitors the appropriateness of 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 Company to take advantage of opportunities for expansion.

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.

The Internal Capital Adequacy Assessment Process (ICAAP) guideline requires the Capital Management Plan (CMP) to specify thresholds for corrective actions. The Company needs 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.

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27 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Governance

The risk management policies identify the risks inherent in different elements of 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 (where the risk is material) and the minimum standards of control the Company is 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 Company. The RMC reports and recommends to the Board on the risk management strategies, policies, risk tolerance appetite, reviews and assesses the adequacy of the risk management policies and framework, measuring, monitoring and controlling 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 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.

28 TAKAFUL RISKS

(a) Family Takaful

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

The Company's Family Takaful businesses are exposed to a range of Family Takaful risks from various products. In providing financial advisory services coupled with Takaful protection, the Company has to manage risks such as mortality (the death of certificate holders), morbidity (ill health), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of retakaful 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.

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28 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

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

The table below shows the concentration of Family Takaful actuarial liabilities by types of contract.

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>2020</u>			
Mortgage	825,661	(65,959)	759,702
Endowment	243,191	(6,019)	237,172
Term	160,639	(23,239)	137,400
Others	90,576	(1,045)	89,531
Total	<u>1,320,067</u>	<u>(96,262)</u>	<u>1,223,805</u>
<u>2019</u>			
Mortgage	600,001	(62,451)	537,550
Endowment	84,124	(266)	83,858
Term	330,771	(34,887)	295,884
Others	68,458	(14)	68,444
Total	<u>1,083,354</u>	<u>(97,618)</u>	<u>985,736</u>

As all of the business is derived from Malaysia, the entire Family Takaful actuarial 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. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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28 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

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

Discount rate

Risk free discount rate is used to discount the cash flows for corresponding durations for Takaful certificates' liabilities calculation.

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

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

The risk free rates employed are gross of tax on investment income of the Takaful fund.

Mortality and morbidity

Best estimate assumptions are based on the Company's recent experience studies. Mortality assumption used for the Company's major products are 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 Company's recent experience studies. Depending on the product's features, PRAD is set at a range of 10% to 35% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the experience of 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

The expected funds' investment return, net of tax, is used to estimate the growth rate assumption of the unit value of the investment-linked funds.

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28 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (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 after tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are nonlinear. Sensitivity information will also vary according to the current economic assumptions.

	Change in best estimate <u>assumptions</u> %	Impact on gross actuarial <u>liabilities</u> RM'000	Impact on net actuarial <u>liabilities</u> RM'000	Impact on profit <u>after tax</u> RM'000	Impact on <u>equity*</u> RM'000
<u>2020</u>					
Mortality/morbidity	+10	70,459	1,020	-	-
Expenses	+10	-	-	-	-
Lapse and surrender rates	+10	1,461	495	-	-
Discount rate	-1	27,305	5,655	(1,731)	(1,731)
<u>2019</u>					
Mortality/morbidity	+10	61,909	10,059	(4,346)	(3,303)
Expenses	+10	-	-	-	-
Lapse and surrender rates	+10	1,676	3,675	(1,525)	(1,159)
Discount rate	-1	19,405	11,067	(4,737)	(3,600)

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

The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 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 profit. Exposure to such risk arises primarily from default risk of unquoted Sukuk purchased.

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

The Company only purchases Sukuk of high credit standing (with minimum rating of A-) as rated by authorised rating agencies. The Company also actively monitors and considers the risk of fall in the value of fixed profit 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 Company.

It is 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 Company's rating policy. The attributable risk ratings are assessed and updated regularly.

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

The Company has 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 certificate holders are linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in these assets. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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29 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.

	<u>Shareholders' fund</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Company</u> RM'000
<u>2020</u>				
<u>Financing and receivables</u>				
Fixed and call deposits	53,024	105,489	-	158,513
<u>FVTPL - designated upon initial recognition</u>				
Quoted equity securities	1,803	89,057	-	90,860
Unit trust funds	-	-	237,813	237,813
<u>AFS financial assets</u>				
Government Investment				
Issues	213,602	192,917	-	406,519
Cagamas Sukuk	-	10,988	-	10,988
Unquoted Sukuk	185,226	852,426	-	1,037,652
Investments in investment- linked funds	10,830	-	-	-
Takaful receivables	1	8,783	-	8,784
Retakaful assets	48	125,836	-	125,884
Other receivables	23,371	5,867	803	9,264
Cash and bank balances	1,277	7,585	43	8,905
	<u>489,182</u>	<u>1,398,948</u>	<u>238,659</u>	<u>2,095,182</u>

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29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

	<u>Shareholders' fund</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Company</u> RM'000
<u>2019</u>				
<u>Financing and receivables</u>				
Fixed and call deposits	103,981	76,760	-	180,741
<u>FVTPL - designated upon initial recognition</u>				
Quoted equity securities	-	65,890	-	65,890
Unit trust funds	-	1,705	82,701	84,406
<u>AFS financial assets</u>				
Government Investment				
Issues	147,050	176,111	-	323,161
Cagamas Sukuk	-	10,602	-	10,602
Unquoted Sukuk	138,187	766,579	-	904,766
Investments in investment- linked funds	9,088	-	-	-
Takaful receivables	-	15,233	-	15,233
Retakaful assets	48	124,556	-	124,604
Other receivables	18,820	7,167	499	8,144
Cash and bank balances	4,505	11,884	55	16,444
	<u>421,679</u>	<u>1,256,487</u>	<u>83,255</u>	<u>1,733,991</u>

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29 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.

<u>Shareholders' fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</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>2020</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	213,602	-	-	-	213,602
Unquoted Sukuk	39,500	20,982	-	-	124,744	-	-	-	185,226
Investment-linked funds	-	-	-	-	-	10,830	-	-	10,830
<u>FVTPL financial assets</u>									
Quoted equity securities	-	-	-	-	-	1,803	-	-	1,803
<u>Financing and receivables</u>									
Fixed and call deposits	39,448	12,312	-	-	1,264	-	-	-	53,024
Takaful receivables	-	-	-	-	1	-	-	674	675
Retakaful assets	-	-	-	-	48	-	-	-	48
Other receivables	-	-	-	-	23,371	-	-	90	23,461
Cash and bank balances	1,274	-	-	-	3	-	-	-	1,277
Allowance for impairment losses	-	-	-	-	-	-	-	(764)	(764)
	<u>80,222</u>	<u>33,294</u>	<u>-</u>	<u>-</u>	<u>363,033</u>	<u>12,633</u>	<u>-</u>	<u>-</u>	<u>489,182</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Shareholders' fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</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>2019</u>									
<u>AFS financial assets</u>									
Government Investment									
Issues	-	-	-	-	147,050	-	-	-	147,050
Unquoted Sukuk	21,448	-	-	-	116,739	-	-	-	138,187
Investment-linked funds	-	-	-	-	-	9,088	-	-	9,088
<u>Financing and receivables</u>									
Fixed and call deposits	46,741	56,015	-	-	1,225	-	-	-	103,981
Takaful receivables	-	-	-	-	-	-	-	679	679
Retakaful assets	-	-	-	-	48	-	-	-	48
Other receivables	-	-	-	-	18,820	-	-	-	18,820
Cash and bank balances	4,499	-	-	-	6	-	-	-	4,505
Allowance for impairment losses	-	-	-	-	-	-	-	(679)	(679)
	<u>72,688</u>	<u>56,015</u>	<u>-</u>	<u>-</u>	<u>283,888</u>	<u>9,088</u>	<u>-</u>	<u>-</u>	<u>421,679</u>

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29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked fund</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>2020</u>										
<u>AFS financial assets</u>										
Government Investment										
Issues	-	-	-	-	192,917	-	-	-	-	192,917
Cagamas Sukuk	10,988	-	-	-	-	-	-	-	-	10,988
Unquoted Sukuk	192,186	250,344	-	-	409,896	-	-	-	-	852,426
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	89,057	-	-	-	89,057
Unit trust funds	-	-	-	-	-	-	237,813	-	-	237,813
<u>Financing and receivables</u>										
Fixed and call deposits	50,204	55,285	-	-	-	-	-	-	-	105,489
Takaful receivables	-	-	-	-	8,783	-	-	-	-	8,783
Retakaful assets	-	82,234	35,350	-	8,252	-	-	-	-	125,836
Other receivables	-	-	-	-	5,867	-	803	-	-	6,670
Cash and bank balances	7,090	305	69	-	121	-	43	-	-	7,628
	<u>260,468</u>	<u>388,168</u>	<u>35,419</u>	<u>-</u>	<u>625,836</u>	<u>89,057</u>	<u>238,659</u>	<u>-</u>	<u>-</u>	<u>1,637,607</u>

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29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2019</u>										
<u>AFS financial assets</u>										
Government Investment										
Issues	-	-	-	-	176,111	-	-	-	-	176,111
Cagamas Sukuk	10,602	-	-	-	-	-	-	-	-	10,602
Unquoted Sukuk	190,263	262,440	-	-	313,876	-	-	-	-	766,579
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	65,890	-	-	-	65,890
Unit trust funds	-	-	-	-	-	1,705	82,701	-	-	84,406
<u>Financing and receivables</u>										
Fixed and call deposits	51,530	25,230	-	-	-	-	-	-	-	76,760
Takaful receivables	-	-	-	-	15,233	-	-	-	-	15,233
Retakaful assets	-	88,707	24,874	-	10,975	-	-	-	-	124,556
Other receivables	-	-	-	-	7,167	-	499	-	-	7,666
Cash and bank balances	11,434	280	149	-	21	-	55	-	-	11,939
	<u>263,829</u>	<u>376,657</u>	<u>25,023</u>	<u>-</u>	<u>523,383</u>	<u>67,595</u>	<u>83,255</u>	<u>-</u>	<u>-</u>	<u>1,339,742</u>

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29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Company</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked fund</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>2020</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	406,519	-	-	-	-	406,519
Cagamas Sukuk	10,988	-	-	-	-	-	-	-	-	10,988
Unquoted Sukuk	231,686	271,326	-	-	534,640	-	-	-	-	1,037,652
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	90,860	-	-	-	90,860
Unit trust funds	-	-	-	-	-	-	237,813	-	-	237,813
<u>Financing and receivables</u>										
Fixed and call deposits	89,652	67,597	-	-	1,264	-	-	-	-	158,513
Takaful receivables	-	-	-	-	8,784	-	-	-	674	9,458
Retakaful assets	-	82,234	35,350	-	8,300	-	-	-	-	125,884
Other receivables	-	-	-	-	8,461	-	803	-	90	9,354
Cash and bank balances	8,364	305	69	-	124	-	43	-	-	8,905
Allowance for impairment losses	-	-	-	-	-	-	-	-	(764)	(764)
	<u>340,690</u>	<u>421,462</u>	<u>35,419</u>	<u>-</u>	<u>968,092</u>	<u>90,860</u>	<u>238,659</u>	<u>-</u>	<u>-</u>	<u>2,095,182</u>

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29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Company</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked fund</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>2019</u>										
<u>AFS financial assets</u>										
Government Investment										
Issues	-	-	-	-	323,161	-	-	-	-	323,161
Cagamas Sukuk	10,602	-	-	-	-	-	-	-	-	10,602
Unquoted Sukuk	211,711	262,440	-	-	430,615	-	-	-	-	904,766
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	65,890	-	-	-	65,890
Unit trust funds	-	-	-	-	-	1,705	82,701	-	-	84,406
<u>Financing and receivables</u>										
Fixed and call deposits	98,271	81,245	-	-	1,225	-	-	-	-	180,741
Takaful receivables	-	-	-	-	15,233	-	-	-	679	15,912
Retakaful assets	-	88,707	24,874	-	11,023	-	-	-	-	124,604
Other receivables	-	-	-	-	7,645	-	499	-	-	8,144
Cash and bank balances	15,933	280	149	-	27	-	55	-	-	16,444
Allowance for impairment losses	-	-	-	-	-	-	-	-	(679)	(679)
	<u>336,517</u>	<u>432,672</u>	<u>25,023</u>	<u>-</u>	<u>788,929</u>	<u>67,595</u>	<u>83,255</u>	<u>-</u>	<u>-</u>	<u>1,733,991</u>

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29 **FINANCIAL RISKS (CONTINUED)**

(a) Credit risk (continued)

Impaired Takaful receivables

At 31 December 2020, impaired Takaful receivables amounted to RM0.7 million (2019: RM0.7 million). Impairment of Takaful 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 Takaful receivables is as follows:

	2020		2019	
	Shareholders' fund RM'000	Company RM'000	Shareholders' fund RM'000	Company RM'000
At 1 January	679	679	689	689
Writeback during the financial year (note 19)	(5)	(5)	(10)	(10)
At 31 December (note 7)	<u>674</u>	<u>674</u>	<u>679</u>	<u>679</u>

Impaired other receivables

At 31 December 2020, impaired other receivables amounted to RM0.09 million (2019: nil). Impairment of other 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 other receivables is as follows:

	2020		2019	
	Shareholders' fund RM'000	Company RM'000	Shareholders' fund RM'000	Company RM'000
At 1 January	-	-	-	-
Allowance of impairment loss during the financial year (note 22)	90	90	-	-
At 31 December (note 9)	<u>90</u>	<u>90</u>	<u>-</u>	<u>-</u>

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Investment department of 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 Company has a strong liquidity position and seeks to maintain sufficient financial resources to meet its 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 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 Takaful contract liabilities, where the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised Takaful contract liabilities.

Available-for-sale fair value adjustment, contribution liability and retakaful's share of contribution liability have been excluded from the analysis as they are not contractual obligations.

Investment-linked fund liabilities are repayable or transferable upon notice by certificate holders and are disclosed separately under the "Investment-linked fund" column. Repayments which are subject to notice are treated as if such notices were given immediately.

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Shareholders' fund</u>	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>2020</u>								
<u>AFS financial assets</u>								
Government Investment Issues	213,602	11,249	54,401	31,876	126,549	45,744	-	269,819
Unquoted Sukuk	185,226	7,425	29,104	42,057	149,643	-	-	228,229
Investment-linked funds	10,830	-	-	-	-	-	10,830	10,830
<u>FVTPL financial assets</u>								
Quoted equity securities	1,803	-	-	-	-	-	1,803	1,803
<u>Financing and receivables</u>								
Fixed and call deposits	53,024	53,044	-	-	-	-	-	53,044
Takaful receivables	1	1	-	-	-	-	-	1
Retakaful assets	48	48	-	-	-	-	-	48
Other receivables	23,371	23,371	-	-	-	-	-	23,371
Cash and bank balances	1,277	-	-	-	-	-	1,277	1,277
Total financial assets	489,182	95,138	83,505	73,933	276,192	45,744	13,910	588,422

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Shareholders' fund (continued)</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>Total</u> RM'000
Takaful contract liabilities	299	299	-	-	-	-	-	299
Takaful payables	288	288	-	-	-	-	-	288
Other payables	28,099	28,099	-	-	-	-	-	28,099
Lease Liabilities	79	68	12	-	-	-	-	80
Expense liabilities	9	9	-	-	-	-	-	9
Total financial liabilities	28,774	28,763	12	-	-	-	-	28,775

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>Shareholders' fund</u>								
<u>2019</u>								
<u>AFS financial assets</u>								
Government Investment Issues	147,050	10,900	53,918	22,374	81,794	12,109	-	181,095
Unquoted Sukuk	138,187	25,684	24,704	33,205	82,354	-	-	165,947
Investment-linked funds	9,088	-	-	-	-	-	9,088	9,088
<u>Financing and receivables</u>								
Fixed and call deposits	103,981	104,041	-	-	-	-	-	104,041
Retakaful assets	48	48	-	-	-	-	-	48
Other receivables	18,820	18,820	-	-	-	-	-	18,820
Cash and bank balances	4,505	-	-	-	-	-	4,505	4,505
Total financial assets	<u>421,679</u>	<u>159,493</u>	<u>78,622</u>	<u>55,579</u>	<u>164,148</u>	<u>12,109</u>	<u>13,593</u>	<u>483,544</u>
Takaful contract liabilities	659	659	-	-	-	-	-	659
Takaful payables	2,198	2,198	-	-	-	-	-	2,198
Other payables	28,724	28,724	-	-	-	-	-	28,724
Lease Liabilities	12	12	-	-	-	-	-	12
Expense liabilities	25	25	-	-	-	-	-	25
Total financial liabilities	<u>31,618</u>	<u>31,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,618</u>

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment- linked fund RM'000	Total RM'000
<u>Family Takaful fund</u>									
<u>2020</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	852,426	94,202	129,202	110,919	554,514	277,316	-	-	1,166,153
Cagamas Sukuk	10,988	455	910	10,831	-	-	-	-	12,196
Government Investment Issues	192,917	15,123	14,932	14,932	130,198	111,216	-	-	286,401
<u>FVTPL financial assets</u>									
Quoted equity securities	89,057	-	-	-	-	-	89,057	-	89,057
Unit trust funds	237,813	-	-	-	-	-	-	237,813	237,813
<u>Financing and receivables</u>									
Fixed and call deposits	105,489	105,520	-	-	-	-	-	-	105,520
Takaful receivables	8,783	8,783	-	-	-	-	-	-	8,783
Retakaful assets	125,836	39,920	13,202	9,679	33,834	29,201	-	-	125,836
Other receivables	6,670	5,867	-	-	-	-	-	803	6,670
Cash and bank balances	7,628	-	-	-	-	-	7,585	43	7,628
Total financial assets	<u>1,637,607</u>	<u>269,870</u>	<u>158,246</u>	<u>146,361</u>	<u>718,546</u>	<u>417,733</u>	<u>96,642</u>	<u>238,659</u>	<u>2,046,057</u>

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2020</u> (continued)									
Takaful contract liabilities	1,498,301	174,653	149,958	109,945	384,307	331,672	121,102	235,755	1,507,392
Takaful payables	15,876	15,876	-	-	-	-	-	-	15,876
Other payables	39,219	39,002	-	-	-	-	-	217	39,219
Total financial liabilities	<u>1,553,396</u>	<u>229,531</u>	<u>149,958</u>	<u>109,945</u>	<u>384,307</u>	<u>331,672</u>	<u>121,102</u>	<u>235,972</u>	<u>1,562,487</u>

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment- linked fund RM'000	Total RM'000
<u>Family Takaful fund</u>									
<u>2019</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	766,579	49,039	160,270	110,868	553,797	186,822	-	-	1,060,796
Cagamas Sukuk	10,602	455	910	910	10,378	-	-	-	12,653
Government Investment Issues	176,111	7,364	21,706	14,103	97,672	133,266	-	-	274,111
<u>FVTPL financial assets</u>									
Quoted equity securities	65,890	-	-	-	-	-	65,890	-	65,890
Unit trust funds	84,406	-	-	-	-	-	1,705	82,701	84,406
<u>Financing and receivables</u>									
Fixed and call deposits	76,760	76,796	-	-	-	-	-	-	76,796
Takaful receivables	15,233	15,233	-	-	-	-	-	-	15,233
Retakaful assets	124,556	38,408	16,090	11,458	34,487	24,113	-	-	124,556
Other receivables	7,666	7,167	-	-	-	-	-	499	7,666
Cash and bank balances	11,939	-	-	-	-	-	11,884	55	11,939
Total financial assets	<u>1,339,742</u>	<u>194,462</u>	<u>198,976</u>	<u>137,339</u>	<u>696,334</u>	<u>344,201</u>	<u>79,479</u>	<u>83,255</u>	<u>1,734,046</u>

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NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2019</u> (continued)									
Takaful contract liabilities	1,210,880	176,962	166,953	118,885	357,840	250,205	69,584	82,989	1,223,418
Takaful payables	12,970	12,970	-	-	-	-	-	-	12,970
Other payables	54,202	54,169	-	-	-	-	-	33	54,202
Total financial liabilities	<u>1,278,052</u>	<u>244,101</u>	<u>166,953</u>	<u>118,885</u>	<u>357,840</u>	<u>250,205</u>	<u>69,584</u>	<u>83,022</u>	<u>1,290,590</u>

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment- linked fund RM'000	Total RM'000
<u>2020</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	1,037,652	101,627	158,305	152,976	704,157	277,316	-	-	1,394,381
Cagamas Sukuk	10,988	455	910	10,831	-	-	-	-	12,196
Government Investment Issues	406,519	26,372	69,334	46,808	256,746	156,960	-	-	556,220
<u>FVTPL financial assets</u>									
Quoted equity securities	90,860	-	-	-	-	-	90,860	-	90,860
Unit trust funds	237,813	-	-	-	-	-	-	237,813	237,813
<u>Financing and receivables</u>									
Fixed and call deposits	158,513	158,564	-	-	-	-	-	-	158,564
Takaful receivables	8,784	8,784	-	-	-	-	-	-	8,784
Retakaful assets	125,884	39,968	13,202	9,679	33,834	29,201	-	-	125,884
Other receivables	9,264	8,461	-	-	-	-	-	803	9,264
Cash and bank balances	8,905	-	-	-	-	-	8,862	43	8,905
Total financial assets	<u>2,095,182</u>	<u>344,231</u>	<u>241,751</u>	<u>220,294</u>	<u>994,737</u>	<u>463,477</u>	<u>99,722</u>	<u>238,659</u>	<u>2,602,871</u>

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value RM'000</u>	<u>Up to a year RM'000</u>	<u>1 - 3 years RM'000</u>	<u>3 - 5 years RM'000</u>	<u>5 - 15 years RM'000</u>	<u>Over 15 years RM'000</u>	<u>No maturity date RM'000</u>	<u>Investment- linked fund RM'000</u>	<u>Total RM'000</u>
<u>2020</u> (continued)									
Takaful contract liabilities	1,487,770	174,952	149,958	109,945	384,307	331,672	121,102	224,925	1,496,861
Takaful payables	16,164	16,164	-	-	-	-	-	-	16,164
Other payables	46,541	46,324	-	-	-	-	-	217	46,541
Expense liabilities	9	9	-	-	-	-	-	-	9
Lease liabilities	79	68	12	-	-	-	-	-	80
Total financial liabilities	1,550,563	237,517	149,970	109,945	384,307	331,672	121,102	225,142	1,559,655

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment- linked fund RM'000	Total RM'000
<u>2019</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	904,766	74,722	184,973	144,072	636,151	186,822	-	-	1,226,740
Cagamas Sukuk	10,602	455	910	910	10,378	-	-	-	12,653
Government Investment Issues	323,161	18,264	75,625	36,477	179,466	145,375	-	-	455,207
<u>FVTPL financial assets</u>									
Quoted equity securities	65,890	-	-	-	-	-	65,890	-	65,890
Unit trust funds	84,406	-	-	-	-	-	1,705	82,701	84,406
<u>Financing and receivables</u>									
Fixed and call deposits	180,741	180,838	-	-	-	-	-	-	180,838
Takaful receivables	15,233	15,233	-	-	-	-	-	-	15,233
Retakaful assets	124,604	38,456	16,090	11,458	34,487	24,113	-	-	124,604
Other receivables	8,144	7,645	-	-	-	-	-	499	8,144
Cash and bank balances	16,444	-	-	-	-	-	16,389	55	16,444
Total financial assets	<u>1,733,991</u>	<u>335,613</u>	<u>277,598</u>	<u>192,917</u>	<u>860,482</u>	<u>356,310</u>	<u>83,984</u>	<u>83,255</u>	<u>2,190,159</u>

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29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value RM'000</u>	<u>Up to a year RM'000</u>	<u>1 - 3 years RM'000</u>	<u>3 - 5 years RM'000</u>	<u>5 - 15 years RM'000</u>	<u>Over 15 years RM'000</u>	<u>No maturity date RM'000</u>	<u>Investment- linked fund RM'000</u>	<u>Total RM'000</u>
<u>2019</u> (continued)									
Takaful contract liabilities	1,202,451	177,621	166,953	118,885	357,840	250,205	69,584	73,901	1,214,989
Takaful payables	15,168	15,168	-	-	-	-	-	-	15,168
Other payables	64,584	64,551	-	-	-	-	-	33	64,584
Expense liabilities	25	25	-	-	-	-	-	-	25
Lease liabilities	12	12	-	-	-	-	-	-	12
Total financial liabilities	<u>1,282,240</u>	<u>257,377</u>	<u>166,953</u>	<u>118,885</u>	<u>357,840</u>	<u>250,205</u>	<u>69,584</u>	<u>73,934</u>	<u>1,294,778</u>

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29 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 profit rates. It is recognised that such risk is inevitable from the business that the Company undertakes, and that a certain level of market risk is desirable to deliver benefits to both certificate holders and shareholders by achieving the Company's financial objectives.

The Company manages 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 Company's appetite, the impact is monitored through economic capital measures.

Volatility in profit rates is the Company's largest market risk exposure. The Company monitors 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) Profit rate risk

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

The Company's concentration of profit rate risk arises from fixed rate instruments and the Company's asset liability risk management policy requires management to manage the profit rate risk by maintaining an appropriate liability driven investment strategy. Profit 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 after taxation and equity. The correlation of variables will have a significant effect in determining the ultimate impact on profit rate risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

	<u>Impact on profit after taxation RM'000</u>	<u>Company Impact on equity* RM'000</u>
<u>2020</u>		
<u>Change in profit rate</u>		
+ 100 basis points	-	(19,508)
- 100 basis points	-	21,719
	<u>=====</u>	<u>=====</u>

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29 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

	<u>Company</u>	
<u>2019</u>	<u>Impact on profit after taxation</u>	<u>Impact on equity*</u>
	RM'000	RM'000
<u>Change in profit rate</u>		
+ 100 basis points	-	(11,212)
- 100 basis points	-	12,249
	<u> </u>	<u> </u>

* 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 to the Company's equity arose from AFS financial assets in the Shareholders' fund. The impact arising from changes in profit rate risk to AFS and FVTPL fixed income securities of the Family Takaful fund and Investment-linked funds is retained in the Takaful contract liabilities and as such, does not impact the profit after taxation and equity of the Company.

(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 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 Company's asset liability risk management policy requires it to manage equity price risk and profit 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 Company complies with BNM's stipulated limits during the financial year and has no significant concentration of price risk.

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

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29 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

	<u>Impact on profit after taxation RM'000</u>	<u>Company Impact on equity* RM'000</u>
<u>2020</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	(503)	(3,338)
	<u> </u>	<u> </u>
<u>2019</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	-	(2,763)
	<u> </u>	<u> </u>

* 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.

There is no impact to the Company's profit after taxation and equity from changes in equity price risk of the Family Takaful fund and Investment-linked funds as these are retained in the Takaful contract liabilities.

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.

The Company has 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 Company's Operational Risks, including processes for identifying, measuring, managing, monitoring and reporting these risks across the Company; and
- Establish standard tools and processes for managing Operational Risks within 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.

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30 OPERATING LEASE AND CAPITAL COMMITMENTS

There were no operating lease and material capital commitment that arose during the financial year.

31 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2020, as prescribed under the Risk Based Capital Framework is provided below:

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	240,000	200,000
Retained earnings	226,097	209,990
Eligible contract liabilities	113,968	65,791
	<u>580,065</u>	<u>475,781</u>
<u>Tier 2 Capital</u>		
Eligible reserves	27,442	18,742
Amounts deducted from capital	(26,693)	(30,879)
Total capital available	<u><u>580,814</u></u>	<u><u>463,644</u></u>

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32 **ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS**

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the 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:

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<u>Fair value as at 31 December 2020</u>			
<u>Shareholders' fund</u>			
Financial assets	398,828	12,633	411,461
Quoted equity securities	-	1,803	1,803
Investments in investment-linked funds	-	10,830	10,830
Government Investment Issues	213,602	-	213,602
Unquoted Sukuk	185,226	-	185,226
Financing and receivables	53,024	-	53,024
Other receivables	23,371	-	23,371
Cash and bank balances	1,277	-	1,277
	<u>476,500</u>	<u>12,633</u>	<u>489,133</u>
<u>Family Takaful fund</u>			
Financial assets	1,056,331	326,870	1,383,201
Quoted equity securities	-	89,057	89,057
Unit trust funds	-	237,813	237,813
Government Investment Issues	192,917	-	192,917
Cagamas Sukuk	10,988	-	10,988
Unquoted Sukuk	852,426	-	852,426
Financing and receivables	105,489	-	105,489
Other receivables	6,670	-	6,670
Cash and bank balances	7,628	-	7,628
	<u>1,176,118</u>	<u>326,870</u>	<u>1,502,988</u>

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<u>Fair value as at 31 December 2020</u>			
<u>Company</u>			
Financial assets	1,455,159	328,673	1,783,832
Quoted equity securities	-	90,860	90,860
Unit trust funds	-	237,813	237,813
Government Investment Issues	406,519	-	406,519
Cagamas Sukuk	10,988	-	10,988
Unquoted Sukuk	1,037,652	-	1,037,652
Financing and receivables	158,513	-	158,513
Other receivables	9,264	-	9,264
Cash and bank balances	8,905	-	8,905
	<u>1,631,841</u>	<u>328,673</u>	<u>1,960,514</u>

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<u>Fair value as at 31 December 2019</u>			
<u>Shareholders' fund</u>			
Financial assets	285,237	9,088	294,325
Investments in investment-linked funds	-	9,088	9,088
Government Investment Issues	147,050	-	147,050
Unquoted Sukuk	138,187	-	138,187
Financing and receivables	103,981	-	103,981
Other receivables	18,820	-	18,820
Cash and bank balances	4,505	-	4,505
	<u>412,543</u>	<u>9,088</u>	<u>421,631</u>
<u>Family Takaful fund</u>			
Financial assets	953,292	150,296	1,103,588
Quoted equity securities	-	65,890	65,890
Unit trust funds	-	84,406	84,406
Government Investment Issues	176,111	-	176,111
Cagamas Sukuk	10,602	-	10,602
Unquoted Sukuk	766,579	-	766,579
Financing and receivables	76,760	-	76,760
Other receivables	7,666	-	7,666
Cash and bank balances	11,939	-	11,939
	<u>1,049,657</u>	<u>150,296</u>	<u>1,199,953</u>

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<u>Fair value as at 31 December 2019</u>			
<u>Company</u>			
Financial assets	1,238,529	150,296	1,388,825
Quoted equity securities	-	65,890	65,890
Unit trust funds	-	84,406	84,406
Government Investment Issues	323,161	-	323,161
Cagamas Sukuk	10,602	-	10,602
Unquoted Sukuk	904,766	-	904,766
Financing and receivables	180,741	-	180,741
Other receivables	8,144	-	8,144
Cash and bank balances	16,444	-	16,444
	<u>1,443,858</u>	<u>150,296</u>	<u>1,594,154</u>

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

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
<u>31 December 2020</u>			
<u>Changes in fair value during the year</u>			
<u>Shareholders' fund</u>			
Financial assets			
Quoted equity securities	-	43	43
Investments in investment-linked funds	-	1,742	1,742
Government Investment Issues	4,825	-	4,825
Unquoted Sukuk	3,006	-	3,006
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>7,831</u>	<u>1,785</u>	<u>9,616</u>
<u>Family Takaful fund</u>			
Financial assets			
Quoted equity securities	-	6,891	6,891
Unit trust funds	-	29,565	29,565
Government Investment Issues	4,153	-	4,153
Cagamas Sukuk	376	-	376
Unquoted Sukuk	17,274	-	17,274
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>21,803</u>	<u>36,456</u>	<u>58,259</u>
<u>Company</u>			
Financial assets			
Quoted equity securities	-	6,934	6,934
Unit trust funds	-	29,565	29,565
Government Investment Issues	8,978	-	8,978
Cagamas Sukuk	376	-	376
Unquoted Sukuk	20,280	-	20,280
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>29,634</u>	<u>36,499</u>	<u>66,133</u>

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
<u>31 December 2019</u>			
<u>Changes in fair value during the year</u>			
<u>Shareholders' fund</u>			
Financial assets			
Unit trust funds	-	-	-
Investments in investment-linked funds	-	536	536
Government Investment Issues	2,867	-	2,867
Unquoted Sukuk	4,439	-	4,439
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>7,306</u>	<u>536</u>	<u>7,842</u>
<u>Family Takaful fund</u>			
Financial assets			
Quoted equity securities	-	3,217	3,217
Unit trust funds	-	5,583	5,583
Government Investment Issues	13,517	-	13,517
Cagamas Sukuk	390	-	390
Unquoted Sukuk	36,362	-	36,362
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>50,269</u>	<u>8,800</u>	<u>59,069</u>
<u>Company</u>			
Financial assets			
Quoted equity securities	-	3,217	3,217
Unit trust funds	-	5,583	5,583
Government Investment Issues	16,384	-	16,384
Cagamas Sukuk	390	-	390
Unquoted Sukuk	40,801	-	40,801
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>57,575</u>	<u>8,800</u>	<u>66,375</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

Financial assets with SPPI cash flows*

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

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Non-rated</u>	<u>Investment-linked fund</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2020</u>						
<u>Shareholders' fund</u>						
Government						
Investment Issues	-	-	-	213,602	-	213,602
Unquoted Sukuk	39,500	20,982	-	124,744	-	185,226
Financing and receivables	39,448	12,312	-	1,264	-	53,024
Other receivables	-	-	-	23,371	-	23,371
Cash and bank balances	1,274	-	-	3	-	1,277
	<u>80,222</u>	<u>33,294</u>	<u>-</u>	<u>362,984</u>	<u>-</u>	<u>476,500</u>
<u>Family Takaful fund</u>						
Government						
Investment Issues	-	-	-	192,917	-	192,917
Cagamas Sukuk	10,988	-	-	-	-	10,988
Unquoted Sukuk	192,186	250,344	-	409,896	-	852,426
Financing and receivables	50,204	55,285	-	-	-	105,489
Other receivables	-	-	-	5,867	803	6,670
Cash and bank balances	7,090	305	69	121	43	7,628
	<u>260,468</u>	<u>305,934</u>	<u>69</u>	<u>608,801</u>	<u>846</u>	<u>1,176,118</u>
<u>Company</u>						
Government						
Investment Issues	-	-	-	406,519	-	406,519
Cagamas Sukuk	10,988	-	-	-	-	10,988
Unquoted Sukuk	231,686	271,326	-	534,640	-	1,037,652
Financing and receivables	89,652	67,597	-	1,264	-	158,513
Other receivables	-	-	-	8,461	803	9,264
Cash and bank balances	8,364	305	69	124	43	8,905
	<u>340,690</u>	<u>339,228</u>	<u>69</u>	<u>951,008</u>	<u>846</u>	<u>1,631,841</u>

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

SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

Financial assets with SPPI cash flows*

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

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Non-rated</u>	<u>Investment-linked fund</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2019</u>						
<u>Shareholders' fund</u>						
Government						
Investment Issues	-	-	-	147,050	-	147,050
Unquoted Sukuk	21,448	-	-	116,739	-	138,187
Financing and receivables	46,741	56,015	-	1,225	-	103,981
Other receivables	-	-	-	18,820	-	18,820
Cash and bank balances	4,499	-	-	6	-	4,505
	<u>72,688</u>	<u>56,015</u>	<u>-</u>	<u>283,840</u>	<u>-</u>	<u>412,543</u>
<u>Family Takaful fund</u>						
Government						
Investment Issues	-	-	-	176,111	-	176,111
Cagamas Sukuk	10,602	-	-	-	-	10,602
Unquoted Sukuk	190,263	262,440	-	313,876	-	766,579
Financing and receivables	51,530	25,230	-	-	-	76,760
Other receivables	-	-	-	7,167	499	7,666
Cash and bank balances	11,434	280	149	21	55	11,939
	<u>263,829</u>	<u>287,950</u>	<u>149</u>	<u>497,175</u>	<u>554</u>	<u>1,049,657</u>
<u>Company</u>						
Government						
Investment Issues	-	-	-	323,161	-	323,161
Cagamas Sukuk	10,602	-	-	-	-	10,602
Unquoted Sukuk	211,711	262,440	-	430,615	-	904,766
Financing and receivables	98,271	81,245	-	1,225	-	180,741
Other receivables	-	-	-	7,645	499	8,144
Cash and bank balances	15,933	280	149	27	55	16,444
	<u>336,517</u>	<u>343,965</u>	<u>149</u>	<u>762,673</u>	<u>554</u>	<u>1,443,858</u>

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