

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

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Company No.

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

		30.6.2016				Audited 31.12.2015			
	Note	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>ASSETS</b>									
Property and equipment		29	-	-	29	80	-	-	80
Available-for-sale financial assets	13	236,502	29,684	634,525	892,636	220,513	36,426	539,183	788,182
Fair value through profit or loss financial assets	13	-	-	42,546	42,546	-	-	30,916	30,916
Financing and receivables		26,636	24,784	63,892	115,312	27,119	12,784	80,194	120,097
Qardhul Hasan receivables		212	-	-	-	246	-	-	-
Takaful receivables		-	5,535	34,640	40,175	-	3,218	31,011	34,229
Retakaful assets	14	-	7,313	7,988	15,301	-	9,129	5,744	14,873
Other receivables		35,553	1,552	2,173	2,516	25,116	2,337	830	969
Deferred tax assets		3,801	(24)	(803)	3,025	5,637	23	348	6,070
Current tax assets		3,966	594	(574)	3,986	2,297	333	113	2,743
Cash and bank balances		7,445	3,580	19,580	30,605	2,295	2,826	14,399	19,520
<b>Total assets</b>		<b>314,144</b>	<b>73,018</b>	<b>803,967</b>	<b>1,146,131</b>	<b>283,303</b>	<b>67,076</b>	<b>702,738</b>	<b>1,017,679</b>

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016 (CONTINUED)

	30.6.2016				Audited 31.12.2015			
Note	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<b>EQUITY AND LIABILITIES</b>								
Share capital	100,010	-	-	100,010	100,010	-	-	100,010
Share premium	99,990	-	-	99,990	99,990	-	-	99,990
Available-for-sale reserve	4,519	-	-	4,519	(353)	-	-	(353)
Retained earnings/(accumulated losses)	34,586	-	(212)	34,425	13,633	-	(246)	13,449
<b>Total equity</b>	<b>239,105</b>	<b>-</b>	<b>(212)</b>	<b>238,944</b>	<b>213,280</b>	<b>-</b>	<b>(246)</b>	<b>213,096</b>
<b>LIABILITIES</b>								
Qardhul Hasan payables	-	-	212	-	-	-	246	-
Takaful contract liabilities	15	52,920	765,238	810,083	-	50,607	668,723	711,390
Takaful payables	-	2,825	14,179	17,004	-	4,424	13,880	18,304
Other payables	32,693	17,273	24,550	37,754	34,313	12,045	20,135	39,179
Expense liabilities	42,346	-	-	42,346	35,710	-	-	35,710
<b>Total liabilities</b>	<b>75,039</b>	<b>73,018</b>	<b>804,179</b>	<b>907,187</b>	<b>70,023</b>	<b>67,076</b>	<b>702,984</b>	<b>804,583</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>314,144</b>	<b>73,018</b>	<b>803,967</b>	<b>1,146,131</b>	<b>283,303</b>	<b>67,076</b>	<b>702,738</b>	<b>1,017,679</b>

Note:

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

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

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

	6 months period ended 30.6.2016				6 months period ended 30.6.2015			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross earned contribution	-	35,227	225,162	260,389	-	32,712	177,336	210,048
Contribution ceded to retakaful operators	-	(2,744)	(22,291)	(25,035)	-	(3,209)	(33,920)	(37,129)
Net earned contribution	-	32,483	202,871	235,354	-	29,503	143,416	172,919
Wakalah income	105,386	-	-	-	79,742	-	-	-
Surplus sharing from General and Family Takaful funds	9,423	-	-	-	6,809	-	-	-
Investment income	5,838	937	15,285	21,126	4,887	877	11,863	16,867
Realised gains	569	172	374	1,115	912	3	376	1,291
Commission income	-	-	47	47	-	-	4,901	4,901
Other operating income	698	81	56	835	394	73	65	532
Writeback of impairment charge on Qardhul Hasan extended to Family Takaful fund	-	-	-	-	8	-	-	-
<b>Total income</b>	<b>121,914</b>	<b>33,673</b>	<b>218,633</b>	<b>258,477</b>	<b>92,752</b>	<b>30,456</b>	<b>160,621</b>	<b>196,510</b>

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

	6 months period ended 30.6.2016				6 months period ended 30.6.2015			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross benefits and claims paid	-	(10,433)	(68,291)	(78,724)	-	(6,219)	(45,545)	(51,764)
Claims ceded to retakaful operators	-	7,461	22,776	30,237	-	4,219	18,631	22,850
Gross change to Takaful contract liabilities	-	(3,066)	(83,250)	(86,316)	-	2,648	(66,713)	(64,065)
Change in Takaful contract liabilities ceded to retakaful operators	-	(2,215)	2,244	29	-	(5,603)	(149)	(5,752)
<b>Net claims</b>	<b>-</b>	<b>(8,253)</b>	<b>(126,521)</b>	<b>(134,774)</b>	<b>-</b>	<b>(4,955)</b>	<b>(93,776)</b>	<b>(98,731)</b>
Surplus sharing with Takaful operator	-	(4,971)	(4,452)	-	-	(4,660)	(2,149)	-
Wakalah expenses	-	(20,873)	(84,513)	-	-	(19,095)	(60,647)	-
Net fair value losses	-	-	(127)	(127)	(167)	-	(1,647)	(1,814)
Commission expenses	(37,950)	-	-	(37,950)	(31,524)	-	-	(31,524)
Management expenses	(50,492)	-	-	(50,492)	(37,551)	-	-	(37,551)
Other operating expenses	(10,436)	-	(1,820)	(11,322)	(8,598)	(21)	(1,580)	(9,439)
<b>Total expenses</b>	<b>(98,878)</b>	<b>(25,844)</b>	<b>(90,912)</b>	<b>(99,891)</b>	<b>(77,840)</b>	<b>(23,776)</b>	<b>(66,023)</b>	<b>(80,328)</b>
<b>Profit before taxation</b>	<b>23,036</b>	<b>(424)</b>	<b>1,200</b>	<b>23,812</b>	<b>14,912</b>	<b>1,725</b>	<b>822</b>	<b>17,451</b>

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

	6 months period ended 30.6.2016				6 months period ended 30.6.2015			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Profit before taxation	23,036	(424)	1,200	23,812	14,912	1,725	822	17,451
Tax expense attributable to participants	-	424	(1,166)	(742)	-	(1,725)	(741)	(2,466)
Profit before taxation attributable to Shareholders	23,036	-	34	23,070	14,912	-	81	14,985
Taxation	(2,083)	424	(1,166)	(2,836)	(1,953)	(1,725)	(741)	(4,439)
Tax expense attributable to participants	-	(424)	1,166	742	-	1,725	741	2,466
Tax expense attributable to Shareholders	(2,083)	-	-	(2,094)	(1,953)	-	-	(1,973)
Net profit for the financial period	20,953	-	34	20,976	12,959	-	81	13,012

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

	6 months period ended 30.6.2016				6 months period ended 30.6.2015			
	Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	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 change on available-for-sale financial assets:								
- Revaluation	6,289	288	14,308	20,885	1,684	180	5,617	7,481
- Transfer to profit or loss upon disposal	128	(40)	110	198	(416)	1	638	223
- Gross fair value changes	6,417	248	14,418	21,083	1,268	181	6,255	7,704
- Deferred taxation	(1,545)	(61)	(1,153)	(2,759)	(317)	(45)	(1,380)	(1,742)
- Net fair value changes	4,872	187	13,265	18,324	951	136	4,875	5,962
Change in Takaful contract liabilities arising from unrealised net fair value changes	-	(187)	(13,265)	(13,452)	-	(136)	(4,875)	(5,011)
Other comprehensive income for the financial period, net of tax	4,872	-	-	4,872	951	-	-	951
Total comprehensive income for the financial period	25,825	-	34	25,848	13,910	-	81	13,963

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

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



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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Non-distributable Available- for-sale reserve</u> RM'000	<u>Retained earnings/ (accumu- lated losses)</u> RM'000	<u>Total</u> RM'000
As at 1 January 2016	100,010	99,990	(353)	13,449	213,096
Total comprehensive income for the financial period	-	-	4,872	20,976	25,848
As at 30 June 2016	<u>100,010</u>	<u>99,990</u>	<u>4,519</u>	<u>34,425</u>	<u>238,944</u>
As at 1 January 2015	100,010	99,990	1,450	(13,082)	188,368
Total comprehensive income for the financial period	-	-	951	13,012	13,963
As at 30 June 2015	<u>100,010</u>	<u>99,990</u>	<u>2,401</u>	<u>(70)</u>	<u>202,331</u>

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	6 months period ended <u>30.6.2016</u> RM'000	6 months period ended <u>30.6.2015</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit after taxation for the financial period	20,976	13,012
Adjustments for:		
Depreciation of property and equipment	51	51
Amortisation of premiums/(Accretion of discounts)	294	(38)
Realised gains on disposal of financial assets	(1,115)	(1,291)
Profit income	(21,130)	(16,244)
Dividend income	(289)	(614)
Net fair value losses	127	1,814
Provision for expense liability	6,636	6,996
Writeback of allowance for doubtful debts on Takaful receivables	(45)	(16)
Increase/(decrease) in General Takaful contract liabilities	2,126	(1,376)
Increase in Family Takaful contract liabilities	83,250	66,712
Taxation	2,836	4,441
	<hr/>	<hr/>
Profit from operations before changes in operating assets and liabilities	93,717	73,447
Proceeds from disposal and maturity of investments	94,388	183,721
Purchase of investments	(188,125)	(276,808)
(Increase)/decrease in other receivables	(1,476)	3,365
(Increase)/decrease in Takaful receivables	(5,901)	1,410
Decrease in financing and receivables	4,694	19,315
(Increase)/decrease in retakaful assets	(428)	5,136
(Decrease)/increase in other payables	(1,425)	4,624
Decrease in Takaful payables	(1,300)	(4,886)
	<hr/>	<hr/>
	(5,856)	9,324
Income tax paid	(3,793)	(4,463)
Profit income received	20,516	15,218
Dividend income received	218	414
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Net cash generating from operating activities	11,085	20,493
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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

	6 months period ended 30.6.2016 RM'000	6 months period ended 30.6.2015 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,085	20,493
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,520	28,889
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>30,605</u>	<u>49,382</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>30,605</u>	<u>49,382</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 respectively treated under the operating activities.

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

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

#### 1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the nature of these activities during the six months period ended 30 June 2016.

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

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

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

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

#### 2 BASIS OF PREPARATION

The unaudited interim financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, "Interim Financial Reporting" which do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2015.

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

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

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

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

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

#### 2 BASIS OF PREPARATION (CONTINUED)

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

#### 3 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and presentation adopted by the Company in the interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2015, except for the following:

- Amendments to MFRS 116 "Property, plant and equipment" and MFRS 138 "Intangible assets" (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The adoption of the above amendments to standards issued by Malaysian Accounting Standards Board in the current financial year does not have any material impact to the financial statements of the Company.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses" (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

## SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

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

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

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

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

- MFRS 15 “Revenue from contracts with customers” (effective from 1 January 2018) replaces MFRS 118 “Revenue” and MFRS 111 “Construction contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Company will assess the full impact of the above amendments to MFRSs onto the Company's financial statements.

#### 4 SEASONALITY OF OPERATIONS

The business operations of the Company were not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2016.

#### 5 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior financial year that has a material effect in the six months period ended 30 June 2016.

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

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence during the six months period ended 30 June 2016.

#### 7 ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issues, repurchases and repayments of debts and equity securities during the six months period ended 30 June 2016.

#### 8 DIVIDENDS PAID

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

#### 9 COMMITMENTS AND CONTINGENCIES

There were no significant commitments and contingencies that have arisen during the six months period ended 30 June 2016.

#### 10 SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant events and transactions that have not been reflected in the financial statements for the six months period ended 30 June 2016.

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SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

11 SUBSEQUENT EVENTS

There were no material events after the interim period that have not been reflected in the financial statements for the six months period ended 30 June 2016.

12 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company during the six months period ended 30 June 2016.

13 FINANCIAL ASSETS

	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>30.6.2016</u>				
Government Investment Issues	120,835	11,934	145,495	278,264
Cagamas Sukuk	-	-	15,380	15,380
Unquoted Sukuk	107,592	17,750	478,154	603,496
Quoted equity securities	-	-	35,483	35,483
Unit trust funds	-	-	2,559	2,559
Investments in investment-linked funds	8,075	-	-	-
Total	<u>236,502</u>	<u>29,684</u>	<u>677,071</u>	<u>935,182</u>
<u>31.12.2015</u>				
Government Investment Issues	127,802	16,796	90,237	234,835
Cagamas Sukuk	-	-	19,779	19,779
Unquoted Sukuk	84,771	19,630	433,921	538,322
Quoted equity securities	-	-	24,505	24,505
Unit trust funds	-	-	1,657	1,657
Investments in investment-linked funds	7,940	-	-	-
Total	<u>220,513</u>	<u>36,426</u>	<u>570,099</u>	<u>819,098</u>



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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

The Company's financial assets are summarised as follows:

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>30.6.2016</u>				
AFS	236,502	29,684	634,525	892,636
FVTPL – designated upon initial recognition	-	-	42,546	42,546
Total	<u>236,502</u>	<u>29,684</u>	<u>677,071</u>	<u>935,182</u>
<u>31.12.2015</u>				
AFS	220,513	36,426	539,183	788,182
FVTPL – designated upon initial recognition	-	-	30,916	30,916
Total	<u>220,513</u>	<u>36,426</u>	<u>570,099</u>	<u>819,098</u>

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

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>30.6.2016</u>				
AFS	225,515	29,510	624,916	879,941
FVTPL – designated upon initial recognition	-	-	3,943	3,943
	<u>225,515</u>	<u>29,510</u>	<u>628,859</u>	<u>883,884</u>
<u>31.12.2015</u>				
AFS	209,625	36,141	530,305	773,180
FVTPL – designated upon initial recognition	-	-	3,681	3,681
	<u>209,625</u>	<u>36,141</u>	<u>533,986</u>	<u>776,861</u>

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

## 13 FINANCIAL ASSETS (CONTINUED)

## (a) AFS

	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>30.6.2016</u>				
Government Investment Issues	120,835	11,934	144,977	277,746
Cagamas Sukuk	-	-	15,380	15,380
Unquoted Sukuk	107,592	17,750	474,168	599,510
Investments in investment-linked funds	8,075	-	-	-
Total	<u>236,502</u>	<u>29,684</u>	<u>634,525</u>	<u>892,636</u>
<u>31.12.2015</u>				
Government Investment Issues	127,802	16,796	89,722	234,320
Cagamas Sukuk	-	-	19,779	19,779
Unquoted Sukuk	84,771	19,630	429,682	534,083
Investments in investment-linked funds	7,940	-	-	-
Total	<u>220,513</u>	<u>36,426</u>	<u>539,183</u>	<u>788,182</u>

## (b) FVTPL – designated upon initial recognition

	Family Takaful fund	Company
	RM'000	RM'000
<u>30.6.2016</u>		
Government Investment Issues	518	518
Unquoted Sukuk	3,986	3,986
Quoted equity securities	35,483	35,483
Unit trust funds	2,559	2,559
Total	<u>42,546</u>	<u>42,546</u>
<u>31.12.2015</u>		
Government Investment Issues	515	515
Unquoted Sukuk	4,239	4,239
Quoted equity securities	24,505	24,505
Unit trust funds	1,657	1,657
Total	<u>30,916</u>	<u>30,916</u>

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
1 January 2016	220,513	36,426	539,183	-	30,916	819,098
Purchases	59,106	3,080	104,857	-	21,082	188,125
Maturities	-	-	-	-	(500)	(500)
Disposals	(49,426)	(9,878)	(24,548)	-	(9,011)	(92,863)
Fair value gains/(losses) recorded in:						
Profit or loss	-	-	-	-	77	77
Other comprehensive income/(loss)	6,417	248	14,418	-	-	21,083
Elimination of fair value gains from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(135)
Movement in accrued profit	(36)	(112)	748	-	(9)	591
(Amortisation)/accretion adjustments	(72)	(80)	(133)	-	(9)	(294)
At 30 June 2016	<u>236,502</u>	<u>29,684</u>	<u>634,525</u>	<u>-</u>	<u>42,546</u>	<u>935,182</u>

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
1 January 2015	170,078	19,446	420,721	2,120	40,568	645,185
Purchases	159,461	24,290	257,654	2,424	43,672	487,501
Maturities	(7,807)	(6,503)	-	-	(2,459)	(16,769)
Disposals	(100,090)	(1,001)	(135,499)	(4,613)	(50,720)	(291,923)
Fair value gains/(losses) recorded in:						
Profit or loss	-	-	-	69	(163)	(94)
Other comprehensive income	(2,404)	78	(5,025)	-	-	(7,351)
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(192)
Movement in accrued profit	1,297	115	1,460	-	18	2,890
(Amortisation)/accretion adjustments	(22)	1	(128)	-	-	(149)
At 31 December 2015/ 1 January 2016	<u>220,513</u>	<u>36,426</u>	<u>539,183</u>	<u>-</u>	<u>30,916</u>	<u>819,098</u>

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

#### 13 FINANCIAL ASSETS (CONTINUED)

##### (d) Fair values hierarchy

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

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

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

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

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

There are no transfers between Level 1 and 2 during the six months period ended 30 June 2016.

The following table presents the Company's financial assets that are carried at fair value as at 30 June 2016:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>30.6.2016</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	120,835	120,835
- Unquoted Sukuk	-	107,592	107,592
- Investments in investment-linked funds	8,075	-	8,075
	<u>8,075</u>	<u>228,427</u>	<u>236,502</u>

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>30.6.2016</u> (continued)			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	11,934	11,934
- Unquoted Sukuk	-	17,750	17,750
	<u>-</u>	<u>29,684</u>	<u>29,684</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	144,977	144,977
- Cagamas Sukuk	-	15,380	15,380
- Unquoted Sukuk	-	474,168	474,168
<u>FVTPL – designated upon initial recognition</u>			
- Government Investment Issues	-	518	518
- Quoted equity securities	35,483	-	35,483
- Unquoted Sukuk	-	3,986	3,986
- Unit trust funds	2,559	-	2,559
	<u>38,042</u>	<u>639,029</u>	<u>677,071</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	277,746	277,746
- Cagamas Sukuk	-	15,380	15,380
- Unquoted Sukuk	-	599,510	599,510
<u>FVTPL – designated upon initial recognition</u>			
- Government Investment Issues	-	518	518
- Quoted equity securities	35,483	-	35,483
- Unquoted Sukuk	-	3,986	3,986
- Unit trust funds	2,559	-	2,559
	<u>38,042</u>	<u>897,140</u>	<u>935,182</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31.12.2015</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	127,802	127,802
- Unquoted Sukuk	-	84,771	84,771
- Investments in investment-linked funds	7,940	-	7,940
	<u>7,940</u>	<u>212,573</u>	<u>220,513</u>
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	16,796	16,796
- Unquoted Sukuk	-	19,630	19,630
	<u>-</u>	<u>36,426</u>	<u>36,426</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	89,722	89,722
- Cagamas Sukuk	-	19,779	19,779
- Unquoted Sukuk	-	429,682	429,682
<u>FVTPL – designated upon initial recognition</u>			
- Government Investment Issues	-	515	515
- Quoted equity securities	24,505	-	24,505
- Unquoted Sukuk	-	4,239	4,239
- Unit trust funds	1,657	-	1,657
	<u>26,162</u>	<u>543,937</u>	<u>570,099</u>

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31.12.2015</u> (continued)			
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	234,320	234,320
- Cagamas Sukuk	-	19,779	19,779
- Unquoted Sukuk	-	534,083	534,083
<u>FVTPL – designated upon initial recognition</u>			
- Government Investment Issues	-	515	515
- Quoted equity securities	24,505	-	24,505
- Unquoted Sukuk	-	4,239	4,239
- Unit trust funds	1,657	-	1,657
	<u>26,162</u>	<u>792,936</u>	<u>819,098</u>

14 RETAKAFUL ASSETS

	<u>General</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Family</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Company</u> RM'000
Retakaful of Takaful contracts (Note 15)			
30 June 2016	<u>7,313</u>	<u>7,988</u>	<u>15,301</u>
Receivable within 12 months	4,527	7,988	12,515
Receivable after 12 months	2,786	-	2,786
	<u>7,313</u>	<u>7,988</u>	<u>15,301</u>
31 December 2015	<u>9,129</u>	<u>5,744</u>	<u>14,873</u>
Receivable within 12 months	6,040	5,744	11,784
Receivable after 12 months	3,089	-	3,089
	<u>9,129</u>	<u>5,744</u>	<u>14,873</u>



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

15 TAKAFUL CONTRACT LIABILITIES

	30.6.2016			31.12.2015		
	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross Retakaful (Note 14)	52,920 (7,313)	765,238 (7,988)	810,083 (15,301)	50,607 (9,129)	668,723 (5,744)	711,390 (14,873)
Net	45,607	757,250	794,782	41,478	662,979	696,517
Current	30,458	82,582	113,040	25,335	90,182	115,517
Non-current	15,149	674,668	681,742	16,143	572,797	581,000
	45,607	757,250	794,782	41,478	662,979	696,517

(a) Family Takaful contract liabilities

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

	30.6.2016			31.12.2015		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificateholders' liabilities	696,864	-	696,864	623,992	-	623,992
Net asset value attributable to certificateholders	20,360	-	20,360	18,523	-	18,523
Actuarial liabilities	717,224	-	717,224	642,515	-	642,515
Claims liabilities	13,833	(7,988)	5,845	9,272	(5,744)	3,528
Unallocated surplus	25,070	-	25,070	21,090	-	21,090
Available-for-sale fair value adjustment						
- gross	9,903	-	9,903	(4,515)	-	(4,515)
- deferred tax	(792)	-	(792)	361	-	361
- net	9,111	-	9,111	(4,154)	-	(4,154)
	765,238	(7,988)	757,250	668,723	(5,744)	662,979

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>30.6.2016</u>	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2016	668,723	(5,744)	662,979
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	(9,817)	-	(9,817)
Benefits	(17,546)	-	(17,546)
Investment returns	10,140	-	10,140
Others	(6,676)	-	(6,676)
Experience variance on inforce Takaful certificates	(6,520)	-	(6,520)
Reserve on new Takaful certificates	100,806	-	100,806
Miscellaneous	2,484	-	2,484
Movement in net asset value attributable to certificateholders	1,837	-	1,837
Movement in claims liabilities	4,561	(2,244)	2,317
Movement in unallocated surplus	3,981	-	3,981
Movement in AFS fair value adjustment	13,265	-	13,265
At 30 June 2016	<u>765,238</u>	<u>(7,988)</u>	<u>757,250</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

15 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>31.12.2015</u>	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2015	527,929	(4,363)	523,566
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	(6,436)	-	(6,436)
Benefits	(24,049)	-	(24,049)
Investment returns	16,253	-	16,253
Others	(15,276)	-	(15,276)
Experience variance on inforce Takaful certificates	(7,146)	-	(7,146)
Reserve on new Takaful certificates	159,387	-	159,387
Miscellaneous	(189)	(762)	(951)
Movement in net asset value attributable to certificateholders	2,193	-	2,193
Movement in claims liabilities	1,788	(619)	1,169
Movement in unallocated surplus	18,891	-	18,891
Movement in AFS fair value adjustment	(4,622)	-	(4,622)
At 31 December 2015	<u>668,723</u>	<u>(5,744)</u>	<u>662,979</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

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

	30.6.2016			31.12.2015		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Provision for claims reported by certificateholders	2,054	(833)	1,221	5,285	(3,212)	2,073
Provision for IBNR	25,111	(5,795)	19,316	23,785	(5,630)	18,155
Provision for outstanding claims (i)	27,165	(6,628)	20,537	29,070	(8,842)	20,228
Unearned contribution reserve (ii)	9,184	(685)	8,499	10,065	(287)	9,778
Unallocated surplus Available-for-sale fair value adjustment	16,430	-	16,430	11,518	-	11,518
- gross	186	-	186	(62)	-	(62)
- deferred tax	(45)	-	(45)	16	-	16
- net	141	-	141	(46)	-	(46)
	52,920	(7,313)	45,607	50,607	(9,129)	41,478

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

(i) Provision for outstanding claims

	30.6.2016			31.12.2015		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
At 1 January	29,070	(8,842)	20,228	48,268	(24,825)	23,443
Claims incurred in the current accident year	7,020	(1,541)	5,479	14,871	(4,316)	10,555
Other movements in claims incurred in prior accident years	1,508	(3,706)	(2,198)	(23,514)	14,059	(9,455)
Claims paid during the financial period/ year	(10,433)	7,461	(2,972)	(10,555)	6,240	(4,315)
At 30 June/ 31 December	<u>27,165</u>	<u>(6,628)</u>	<u>20,537</u>	<u>29,070</u>	<u>(8,842)</u>	<u>20,228</u>

(ii) Unearned contribution reserve

At 1 January	10,065	(287)	9,778	10,796	(1,640)	9,156
Contribution written in the financial period/ year	34,346	(3,141)	31,205	68,122	(7,608)	60,514
Contribution earned during the financial period/year	(35,227)	2,743	(32,484)	(68,853)	8,961	(59,892)
At 30 June/ 31 December	<u>9,184</u>	<u>(685)</u>	<u>8,499</u>	<u>10,065</u>	<u>(287)</u>	<u>9,778</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Takaful contract liabilities at Company level

	30.6.2016			Company 31.12.2015		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Family Takaful fund (Note 15(a))	765,238	(7,988)	757,250	668,723	(5,744)	662,979
General Takaful fund (Note 15(b))	52,920	(7,313)	45,607	50,607	(9,129)	41,478
	818,158	(15,301)	802,857	719,330	(14,873)	704,457
Elimination of Shareholders' fund investment in investment-linked funds	(8,075)	-	(8,075)	(7,940)	-	(7,940)
Total	810,083	(15,301)	794,782	711,390	(14,873)	696,517

16 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2016, as prescribed under the Risk Based Capital Framework is provided below:

	30.6.2016 RM'000	31.12.2015 RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,010	100,010
Share premium	99,990	99,990
Retained earnings	27,517	13,633
Eligible contract liabilities	37,882	16,429
	265,399	230,062
<u>Tier 2 Capital</u>		
Eligible reserves	8,204	(775)
Amounts deducted from capital	(4,036)	(5,998)
Total capital available	269,567	223,289