Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2017

Company No.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group/Company RM'000
Net profit for the financial year	107,217

DIVIDENDS

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

In respect of the financial year ended 31 December 2016:

	RM'000
Dividend paid on 21 June 2017:	
- Single-Tier Final Dividend in respect of the Perpetual Non-Cumulative Preference Shares of 8 sen per share	8,000
- Single-Tier Final Dividend in respect of the Ordinary Shares of 30.54 sen per share	73,900
	81,900

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

RESERVES AND PROVISIONS

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

PROVISION FOR INSURANCE LIABILITIES

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

SHARE CAPITAL

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability in respect of the Group and the Company which has arisen since the end of the financial year.

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

DIRECTORS

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

	Attendance
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	6/6
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	6/6
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	6/6
Dato' Mohd Shukri Bin Hussin (Independent Non-Executive Director) (1)	5/6
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz (Non-Independent Non-Executive Director)	6/6
Encik Ooi Say Teng (Non-Independent Non-Executive Director) (2)	6/6
Encik Karim Gilani (Executive Director) (Appointed on 8 September 2017)	2/2
Encik Renzo Christopher Viegas (Non-Independent Non-Executive Director) (Resigned on 18 July 2017)	3/3
Encik Ahmad Farouk Bin Mohamed (Non-Independent Non-Executive Director) (Resigned on 18 July 2017)	3/3
Encik Roger David Steel (Executive Director) (Resigned on 28 August 2017)	3/4

(1) Dato' Mohd Shukri Bin Hussin was a Non-Independent Non-Executive Director and was reclassified as an Independent Non-Executive Director on 8 September 2017.

(2) Encik Ooi Say Teng was an Executive Director and was reclassified as a Non-Independent Non-Executive Director on 8 September 2017.

In accordance to Article 96 of the Company's Article of Association, Encik Ooi Say Teng and Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to Article 101 of the Company's Article of Association, Encik Karim Gilani shall retire at the forthcoming Annual General Meeting and being eligible, shall offer himself for re-election.

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors ("the Board")

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

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

Board

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

(ii) Maintains formal orientation program for new Directors and ongoing education programs for all Directors;

(iii) Establishes corporate governance practices and policies; and

(iv) Assesses its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, as well as the effectiveness including the fitness and proper criteria of individual Directors on an annual basis.

Senior Management

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

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

(iii) Oversees succession planning for senior management positions;

(iv) Approves compensation of senior management;

(v) Advises the Chief Executive Officer; and

(vi) Reviews and approves the organizational structure on an annual basis.

CORPORATE GOVERNANCE (CONTINUED)

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

Ethics and Integrity

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

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

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

Strategy

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

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

(iii) Approves the Group's and the Company's business objectives, strategies, capital and financial plans on an annual basis; and

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

Risk Management, Capital Management and Internal Control

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

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

(iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

(i) Reviews and approves material investments and transactions.

Financial Reporting

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

CORPORATE GOVERNANCE (CONTINUED)

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

Communication and Disclosure

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

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

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

Other

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

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

Directors' Training

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

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

Audit Committee ("AC")

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

	Attendance
Encik Pushpanathan A/L S.A. Kanagarayar – Chairman (Appointed as Chairman on 28 February 2017)	5/5
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir [1]	5/5
Encik Jose Isidro Navato Camacho	5/5

(1) Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir was the Chairman from 1 January 2017 to 27 February 2017.

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

The duties and responsibilities of the AC are as follows:

Financial Reporting

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

External Auditor

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

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

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

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

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

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

Internal Control and Audit

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

(ii) Reviews management's reports on the effectiveness of the Group's and the Company's disclosure controls and procedures and 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's audit plan, and the adequacy of the resources available to the Head of Internal Audit;
   (b) The effectiveness of the internal control procedures;

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Internal Control and Audit (continued)

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

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

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

Governance

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

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

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

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

(v) Discusses with the External Auditor if necessary, on the impact of the financial and control-related aspects of material transactions that are being proposed by the Group and the Company;

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

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Others

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

Remuneration and Nomination Committee ("RNC")

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

	Attendance
Dato' Mohd Shukri Bin Hussin – Chairman (Appointed as Chairman on 8 September 2017)	3/3
Encik Jose Isidro Navato Camacho (1)	3/3
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (2)	3/3
Encik Renzo Christopher Viegas (Resigned on 18 July 2017)	1/1
Encik Pushpanathan A/L S.A. Kanagarayar (Resigned on 7 September 2017)	1/1

(1) Encik Jose Isidro Navato Camacho was the Chairman from 28 February 2017 to 7 September 2017.

(2) Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir was the Chairman from 1 January to 27 February 2017.

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

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

The RNC shall also review the mix of skills of the members of the Audit Committee through annual reviews;

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

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

CORPORATE GOVERNANCE (CONTINUED)

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

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

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

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

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

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

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

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

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

Risk Management Committee ("RMC")

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

	Attendance
Encik Jose Isidro Navato Camacho - Chairman	6/6
Encik Pushpanathan A/L S.A. Kanagarayar	6/6
Dato' Mohd Shukri Bin Hussin	6/6

The duties and responsibilities of the RMC are as follows:

Risk Management

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

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

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

Risk Management (continued)

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

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

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

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

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

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

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

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

Compliance

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

Governance

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

Executive Committee ("EC")

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

Encik Ooi Say Teng (Appointed on 12 July 2017)
Encik Karim Gilani (Appointed on 10 July 2017)
Encik Roger David Steel (Resigned on 10 July 2017)
Encik Ahmad Farouk Mohamed (Resigned on 12 July 2017)

The duties and responsibilities of the EC are as follows:

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

(ii) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the Board for deliberation and approval; and

(iii) Performs such other duties and exercises and such other powers as may, from time to time, be assigned to or vested in the EC by the Board.

CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' BENEFITS

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

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

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM142,000.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 22 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 also a financial holding company. All the three companies are incorporated in Malaysia.

AUDITORS

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with their resolution of the Directors dated 1 March 2018.

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

Kuala Lumpur

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Ooi Say Teng, being two of the Directors of Sun Life Malaysia Assurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 21 to 122 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial year ended 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 1 March 2018.

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

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

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Assurance Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 21 to 122 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

Subscribed and solemnly declared by the abovenamed Chew Chin Lim at Kuala Lumpur in Malaysia on 1 March 2018.

Before me,

COMMISIONER FOR OATHS

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Assurance Berhad ("the Company") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 122.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and 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 Group and 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 Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

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

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

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2019 J
Chartered Accountant

Kuala Lumpur
1 March 2018

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS				
Property and equipment	3	54,945	54,945	54,784
Intangible assets	4	5,868	5,868	-
Financial assets	5	1,812,956	1,815,245	1,634,224
Loans and receivables	7	90,247	82,717	147,228
Reinsurance assets	8	72,020	72,020	103,245
Insurance receivables	9	6,860	6,860	5,746
Other receivables	10	23,655	23,655	25,500
Current tax assets		578	578	-
Cash and bank balances		23,830	23,825	16,666
TOTAL ASSETS		2,090,959	2,085,713	1,987,393
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Share capital	11	358,000	358,000	342,000
Share premium		-	-	16,000
Retained earnings	12	111,777	111,777	108,440
Reserves		73,566	73,566	51,586
Total equity		543,343	543,343	518,026
Insurance contract liabilities	13	1,414,212	1,414,212	1,359,658
Insurance claims liabilities		21,277	21,277	18,546
Insurance payables	14	12,444	12,444	14,009
Other financial liabilities	15	13,380	8,216	6,259
Other payables	16	59,530	59,448	44,872
Current tax liabilities		-	-	9,340
Deferred tax liabilities	17	26,773	26,773	16,683
Total liabilities		1,547,616	1,542,370	1,469,367
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		2,090,959	2,085,713	1,987,393

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Company 2017 RM'000	Company 2016 RM'000
Gross premiums		560,718	560,718	448,311
Premiums ceded to reinsurers		(57,444)	(57,444)	(68,351)
Net premiums		503,274	503,274	379,960
Investment income	18	81,429	76,575	74,887
Net realised gains	19	95	95	757
Net fair value gains	20	49,448	53,787	12,585
Other operating income	21	2,624	2,624	2,450
Other income		133,596	133,081	90,679
Gross benefits and claims paid		(285,009)	(285,009)	(233,512)
Claims ceded to reinsurers		50,621	50,621	43,509
Gross change in contract liabilities		(54,554)	(54,554)	13,388
Change in contract liabilities ceded to reinsurers		(33,692)	(33,692)	(15,900)
Net claims		(322,634)	(322,634)	(192,515)
Commission expenses		(58,399)	(58,399)	(49,740)
Management expenses	22	(113,833)	(113,318)	(110,893)
Other operating expenses	23	(582)	(582)	(443)
Investment expenses		(1,657)	(1,657)	(1,705)
Other expenses		(174,471)	(173,956)	(162,781)
Profit before taxation		139,765	139,765	115,343
Tax expense attributable to policyholders and unitholders		(8,083)	(8,083)	(4,842)
Profit before taxation attributable to Shareholders		131,682	131,682	110,501
Taxation	24	(32,548)	(32,548)	(27,067)
Tax expense attributable to policyholders and unitholders		8,083	8,083	4,842
Tax expense attributable to Shareholders		(24,465)	(24,465)	(22,225)
Net profit and total comprehensive income for the financial year		107,217	107,217	88,276
Basic earnings per share (sen)	25	44.30	44.30	36.48

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

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital	Share premium	Reserves[1]	Retained earnings	Total
		Non-distributable			Distributable	
		RM'000	RM'000	RM'000	RM'000	RM'000
Group/Company						
At 1 January 2017		342,000	16,000	51,586	108,440	518,026
Dividends	25	-	-	-	(81,900)	(81,900)
Total comprehensive income for the financial year		-	-	88,380	18,837	107,217
Transition to no-par value regime on 31 January 2017[2]		16,000	(16,000)	-	-	-
Transfer of surpluses		-	-	(66,400)	66,400	-
At 31 December 2017		358,000	-	73,566	111,777	543,343
Company						
At 1 January 2016		342,000	16,000	45,243	116,507	519,750
Dividends	25	-	-	-	(90,000)	(90,000)
Total comprehensive income for the financial year		-	-	74,343	13,933	88,276
Transfer of surpluses		-	-	(68,000)	68,000	-
At 31 December 2016		342,000	16,000	51,586	108,440	518,026

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

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

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

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company
	2017	2017	2016
	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year	107,217	107,217	88,276
Adjustments for:			
Gross change in contract liabilities	54,554	54,554	(13,388)
Change in contract liabilities ceded to reinsurers	33,692	33,692	15,900
Property and equipment			
- depreciation	7,437	7,437	5,450
- gains on disposal	(95)	(95)	(757)
Amortisation of intangible assets	182	182	-
Net fair value gains on investments at fair value through profit or loss	(49,448)	(53,787)	(12,585)
Write back of allowance for impairment loss on insurance receivables	(1)	(1)	-
Allowance for impairment loss on insurance receivables	18	18	3
Interest income	(71,336)	(61,091)	(70,753)
Dividend income	(9,502)	(14,893)	(3,538)
Rental income	(591)	(591)	(596)
Taxation	32,548	32,548	27,067
Profit from operations before changes in operating assets and liabilities	104,675	105,190	35,079
Decrease/(increase) in loans and receivables	56,905	64,435	(46,801)
Decrease/(increase) in receivables	986	986	(15,056)
Increase in insurance claims liabilities	264	264	5,080
Increase/(decrease) in payables	17,034	11,788	(3,865)
Purchase of investments	(1,148,682)	(1,054,979)	(463,283)
Proceeds from disposal and maturity of investments	1,020,819	924,726	531,862
	52,001	52,410	43,016
Investment income received:			
- Dividend	9,244	14,635	3,580
- Interest	69,991	64,186	70,453
- Rental	591	591	596
Taxation paid	(32,390)	(32,390)	(16,451)
Net cash generated from operating activities	99,437	99,432	101,194

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment	106	106	3,949
Purchase of property and equipment	(7,609)	(7,609)	(13,168)
Purchase of intangible assets	(2,870)	(2,870)	-
Net cash used in investing activities	(10,373)	(10,373)	(9,219)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	(81,900)	(81,900)	(90,000)
Net cash used in financing activities	(81,900)	(81,900)	(90,000)
Net increase in cash and cash equivalents	7,164	7,159	1,975
Cash and cash equivalents at beginning of the financial year	16,666	16,666	14,691
Cash and cash equivalents at end of the financial year	23,830	23,825	16,666
Cash and cash equivalents comprise:			
Cash and bank balances	23,830	23,825	16,666

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

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

1 CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 1 March 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The amendments and improvements to published standards and interpretations that have been adopted by the Group and the Company for the first time for the financial year beginning on or after 1 January 2017 are as follows:

(xi) Amendments to MFRS 112 “Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses”

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

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

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

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2017. None of these are expected to have a significant effect on the financial statements of the Group and Company, except for the following set out below:

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

MFRS 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.

The Group and the Company is in the process of assessing the financial impact onto their financial statements.

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

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

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

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

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

  The Group and the Company's business activity are predominately insurance and hence, qualify for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- MFRS 15 "Revenue from contracts with customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue". 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.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:
  - Identify contracts with customers
  - Identify the separate performance obligations
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard includes, amongst others:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift some revenue which is currently recognised at a point in time at the end of a contract to be recognised over the contract term and vice versa.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

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

  The Group and the Company is in the process of assessing the financial impact onto their financial statements.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(iii) Disposal of subsidiaries

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Investment in subsidiaries

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

(c) Business combination

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

(d) Property and equipment

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Property and equipment (continued)

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

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

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

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

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

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

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

(e) Intangible assets

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

(i) Exclusive partnership fee

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Financial assets

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

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

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

FVTPL

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

<u>LAR</u>

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

(g) Fair value of financial instruments

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment

(i) Financial assets

The Group and 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 interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recorded in profit or loss.

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

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

(ii) Non-financial assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

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

(i) Derecognition of financial assets

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

(j) Equity instruments

Share capital

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

Dividends

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

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

Reserves

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Product classification

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Product classification (continued)

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

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

Unallocated surpluses of the DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year are held within the insurance contract liabilities.

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

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

(l) Reinsurance

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Reinsurance (continued)

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

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

(m) Life insurance underwriting results

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

Gross premiums

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

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

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

Reinsurance premiums

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Life insurance underwriting results (continued)

Benefits and claims expenses

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

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

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

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

Commission and agency expenses

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

(n) Insurance receivables

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities

(i) Actuarial liabilities

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

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

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

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

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

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

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

(ii) Unallocated surplus

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

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

Unallocated surpluses of the DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year are held within the insurance contract liabilities.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities (continued)

(iii) Net asset value attributable to unit holders

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

(p) Other revenue recognition

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

Interest income

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

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

Rental income

Rental income is recognised on a time proportion basis.

Dividend income

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

Realised gains and losses on investments

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Taxation

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

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

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

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

(r) Provisions

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

(s) Employee benefits

(i) Short term employee benefits

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

(ii) Post employment benefits

Defined contribution plan

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Share-based payment plan

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

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

(t) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but 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 control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

(u) Other financial liabilities and insurance payables

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

(v) Cash and cash equivalents

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions

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

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

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

(b) Key sources of estimation uncertainty and assumptions

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

<u>Valuation of actuarial liabilities</u>

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

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

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

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

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

Discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security ("MGS"). In the case of the total benefits liabilities of the participating policies, the discount rate is based on the historical yield and future investment outlook of the Participating fund, net of tax on investment income of the Life fund.

3 PROPERTY AND EQUIPMENT

	Furniture, fittings and renovation	Computer equipment	Office equipment	Motor vehicles	Freehold land and buildings	Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Cost							
1 January 2017	4,347	37,665	1,463	863	43,939	3,548	91,825
Additions	191	2,126	184	-	-	5,108	7,609
Disposals	-	(23)	(8)	(357)	-	-	(388)
Reclassification	-	6,206	-	406	-	(6,612)	-
At 31 December 2017	4,538	45,974	1,639	912	43,939	2,044	99,046

SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Group							
Accumulated depreciation							
1 January 2017	2,170	29,839	818	702	3,512	-	37,041
Charge for the financial year (note 22)	422	6,274	214	144	383	-	7,437
Disposals	-	(19)	(1)	(357)	-	-	(377)
At 31 December 2017	2,592	36,094	1,031	489	3,895	-	44,101
Net carrying amount							
31 December 2017	1,946	9,880	608	423	40,044	2,044	54,945

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Company							
Cost							
At 1 January 2016	3,375	32,827	1,095	1,021	43,520	658	82,496
Additions	503	1,676	213	-	3,908	6,868	13,168
Disposals	-	-	-	(350)	(3,489)	-	(3,839)
Reclassification	469	3,162	155	192	-	(3,978)	-
At 31 December 2016/ 1 January 2017	4,347	37,665	1,463	863	43,939	3,548	91,825
Additions	191	2,126	184	-	-	5,108	7,609
Disposals	-	(23)	(8)	(357)	-	-	(388)
Reclassification	-	6,206	-	406	-	(6,612)	-
At 31 December 2017	4,538	45,974	1,639	912	43,939	2,044	99,046

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Company							
Accumulated depreciation							
At 1 January 2016	1,753	25,368	643	988	3,486	-	32,238
Charge for the financial year (note 22)	417	4,471	175	64	323	-	5,450
Disposals	-	-	-	(350)	(297)	-	(647)
At 31 December 2016/ 1 January 2017	2,170	29,839	818	702	3,512	-	37,041
Charge for the financial year (note 22)	422	6,274	214	144	383	-	7,437
Disposals	-	(19)	(1)	(357)	-	-	(377)
At 31 December 2017	2,592	36,094	1,031	489	3,895	-	44,101

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Company							
Net carrying amount							
31 December 2016	2,177	7,826	645	161	40,427	3,548	54,784
31 December 2017	1,946	9,880	608	423	40,044	2,044	54,945

4 INTANGIBLE ASSETS

	Partnership fee RM'000	Total RM'000
Group/Company		
Cost		
At 1 January 2017	-	-
Additions	6,050	6,050
At 31 December 2017	6,050	6,050
Accumulated amortisation		
At 1 January 2017	-	-
Amortisation charged to profit or loss (Note 22)	182	182
At 31 December 2017	182	182
Net carrying amount		
At 31 December 2017	5,868	5,868

5 FINANCIAL ASSETS

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Malaysian Government Securities	412,986	397,392	438,632
Cagamas bonds	21,356	21,356	21,615
Unquoted corporate debt securities	1,063,403	721,443	996,491
Quoted equity securities	143,336	143,336	56,235
Unit trust funds	171,701	171,701	121,077
Controlled structured entities (Note 6)	-	359,843	-
Unquoted equity securities	174	174	174
	1,812,956	1,815,245	1,634,224

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

	2017	2017	2016
	RM'000	RM'000	RM'000
Fair value through profit or loss ("FVTPL") - designated upon initial recognition	1,812,956	1,815,245	1,634,224

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

	2017	2017	2016
	RM'000	RM'000	RM'000
FVTPL - designated upon initial recognition	1,316,117	978,835	1,371,627

5 FINANCIAL ASSETS (CONTINUED)

	Group 2017 RM'000	Company 2017 RM'000	Company 2016 RM'000
(a) FVTPL - designated upon initial recognition			
Malaysian Government Securities	412,986	397,392	438,632
Cagamas bonds	21,356	21,356	21,615
Unquoted corporate debt securities	1,063,403	721,443	996,491
Quoted equity securities	143,336	143,336	56,235
Unit trust funds	171,701	171,701	121,077
Controlled structured entities	-	359,843	-
Unquoted equity securities	174	174	174
	1,812,956	1,815,245	1,634,224

(b) Carrying values of financial assets

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

5 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial assets (continued)

Company	FVTPL/Total RM'000
At 1 January 2017	1,634,224
Purchases	1,054,979
Maturities	(34,087)
Disposals	(873,215)
Fair value gains recorded in:	
Profit or loss (note 20)	36,363
Movement in accrued interest	(3,019)
At 31 December 2017	1,815,245
At 1 January 2016	1,690,021
Purchases	463,283
Maturities	(83,009)
Disposals	(452,611)
Fair value gains recorded in:	
Profit or loss (note 20)	16,343
Movement in accrued interest	197
At 31 December 2016	1,634,224

(c) Fair value hierarchy

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

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

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

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

5 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

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

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 31 December 2017:

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

5 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company				
FVTPL				
2017				
Malaysian Government Securities	-	397,392	-	397,392
Cagamas bonds	-	21,356	-	21,356
Unquoted corporate debt securities	-	721,443	-	721,443
Quoted equity securities	143,336	-	-	143,336
Unit trust funds	171,701	-	-	171,701
Controlled structured entities	359,843	-	-	359,843
Unquoted equity securities		-	174	174
	674,880	1,140,191	174	1,815,245
FVTPL				
2016				
Malaysian Government Securities	-	438,632	-	438,632
Cagamas bonds	-	21,615	-	21,615
Unquoted corporate debt securities	-	996,491	-	996,491
Quoted equity securities	56,235	-	-	56,235
Unit trust funds	121,077	-	-	121,077
Controlled structured entities	-	-	-	-
Unquoted equity securities	-	-	174	174
	177,312	1,456,738	174	1,634,224

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

6 CONTROLLED STRUCTURED ENTITIES

The Company has determined that its investment in wholesale unit trust funds amounting to RM359,843,000 as disclosed in Note 5 to the financial statements as investment in structured entities ("investee funds"). The Company invests in a investee fund whose objective is to achieve medium to long-term returns while preserving capital and whose investment strategy does not include the use of leverage. The investee fund is managed by Opus Asset Management Sdn Bhd and apply various investment strategies to accomplish the investment objectives. The investee fund finance its operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the investee fund's net assets.

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

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

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

	2017
Number of wholesale unit trust funds	1
Average net asset value per unit of wholesale unit trust funds:	
Opus Income Fund 2 (RM)	1.0206
Fair value of underlying net assets:	
	RM'000
Malaysian Government Securities	15,594
Unquoted corporate debt securities	341,960
Deposits with licensed financial institutions	7,530
Cash equivalents	5
Payables	(5,246)
	359,843
Total fair value gain for the financial year	4,452

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

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

7 LOANS AND RECEIVABLES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Policy loans	10,481	10,481	10,329
Other secured loans	24	24	26
	10,505	10,505	10,355
Fixed and call deposits with licensed financial institutions	79,742	72,212	136,873
	90,247	82,717	147,228
Receivable within 12 months	79,745	72,215	136,876
Receivable after 12 months	10,502	10,502	10,352
	90,247	82,717	147,228

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

8 REINSURANCE ASSETS

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Reinsurance of insurance contracts			
- insurance claims liabilities	14,290	14,290	11,823
- insurance contract liabilities (note 13)	57,730	57,730	91,422
	72,020	72,020	103,245
Receivable within 12 months	18,177	18,177	15,446
Receivable after 12 months	53,843	53,843	87,799
	72,020	72,020	103,245

9 INSURANCE RECEIVABLES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	6,726	6,726	5,674
Less: Allowance for impairment (note 33)	-	-	(1)
	6,726	6,726	5,673
Due from reinsurers and cedants	134	134	73
	6,860	6,860	5,746
Receivable within 12 months	6,860	6,860	5,746

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Gross amounts of recognised financial assets	14,374	14,374	6,813
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (note 14)	(7,514)	(7,514)	(1,067)
Net amounts of financial assets presented in the statement of financial position	6,860	6,860	5,746

9 INSURANCE RECEIVABLES (CONTINUED)

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2017 (2016: nil).

10 OTHER RECEIVABLES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Amount due from fund manager/brokers	1,388	1,388	14,314
Amount due from related parties	16,616	16,616	5,450
Deposits receivable	272	272	260
Dividend receivable	390	390	132
Subscription to LIAM shares	2,147	2,147	2,147
Other receivables	2,842	2,842	3,197
	23,655	23,655	25,500
Receivable within 12 months	21,408	21,408	23,253
Receivable after 12 months	2,247	2,247	2,247
	23,655	23,655	25,500

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

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

11 SHARE CAPITAL

	2017		2016	
	Number of shares	Nominal value	Number of shares	Nominal value
Company	'000	RM'000	'000	RM'000
Authorised[1]				
Ordinary shares of RM1 each:				
- At beginning/end of the financial year	-	-	250,000	250,000
Perpetual non-cumulative preference shares ("PPS") of RM1 each:				
- At beginning/end of the financial year	-	-	100,000	100,000
	-	-	350,000	350,000

11 SHARE CAPITAL (CONTINUED)

	2017		2016	
Company	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Ordinary shares issued and paid up				
Ordinary shares of RM1 each:				
- At beginning of the financial year	242,000	242,000	242,000	242,000
Transition to no-par value regime on 31 January 2017 [1]	-	16,000	-	-
At 31 December – ordinary shares with no par value (2016: par value of RM1.00 each)	242,000	258,000	242,000	242,000
Perpetual non-cumulative preference shares ("PPS") issued and paid up				
Preference shares of RM1 each:				
- At beginning of the financial year	100,000	100,000	100,000	100,000
At 31 December – preference shares with no par value (2016: par value of RM1.00 each)	100,000	100,000	100,000	100,000
At 31 December	342,000	358,000	342,000	342,000

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

11 SHARE CAPITAL (CONTINUED)

Features of the Perpetual Non-Cumulative Preference Shares ("PPS")

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

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

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

12 RETAINED EARNINGS

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

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

13 INSURANCE CONTRACT LIABILITIES

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

	Group/Company 2017			Company 2016		
Company	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Actuarial liabilities	1,192,178	(57,730)	1,134,448	1,186,892	(91,422)	1,095,470
Unallocated surplus	1,472	-	1,472	619	-	619
Net asset value attributable to unitholders	220,562	-	220,562	172,147	-	172,147
	1,414,212	(57,730)	1,356,482	1,359,658	(91,422)	1,268,236
Current	264,929	(3,887)	261,042	275,328	(3,623)	271,705
Non-current	1,149,283	(53,843)	1,095,440	1,084,330	(87,799)	996,531
	1,414,212	(57,730)	1,356,482	1,359,658	(91,422)	1,268,236

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

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

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

Company	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2016	1,373,046	(107,322)	1,265,724
Projected changes of inforce policies			
Premium income	135,200	(56,761)	78,439
Expense and commission	(29,743)	18	(29,725)
Benefits	(190,960)	58,399	(132,561)
Interest on cashflows	29,506	(2,693)	26,813
Others	(14,422)	7,016	(7,406)
Experience variance on inforce policies	(807)	1,055	248
Reserve for new policies	104,861	(15,212)	89,649
Assumption changes			
Discount rate	(5,328)	313	(5,015)
Mortality	(30,687)	24,260	(6,427)
Lapse rates	3,201	260	3,461
Policy expenses	(1,249)	-	(1,249)
Others	393	(4,559)	(4,166)
Expense reserve	(5,120)	-	(5,120)
Other changes	(9,381)	3,804	(5,577)
Movement in unallocated surplus	189	-	189
Movement in net asset value attributable to unitholders	959	-	959
At 31 December 2016	1,359,658	(91,422)	1,268,236

14 INSURANCE PAYABLES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Due to agents and intermediaries	3,639	3,639	3,518
Due to reinsurers and cedants	8,805	8,805	10,491
	12,444	12,444	14,009
Payable within 12 months	12,444	12,444	14,009

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Gross amounts of recognised financial liabilities	19,958	19,958	15,076
Less: Gross amounts of recognised financial assets set off in the statement of financial position (note 9)	(7,514)	(7,514)	(1,067)
Net amounts of financial liabilities presented in the statement of financial position	12,444	12,444	14,009

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 2017 (2016: nil).

15 OTHER FINANCIAL LIABILITIES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Outstanding purchases of investment securities	6,632	1,468	700
Unprocessed proposals	4,884	4,884	2,416
Others	1,864	1,864	3,143
	13,380	8,216	6,259
Payable within 12 months	13,380	8,216	6,259

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

16 OTHER PAYABLES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Cash in suspense	226	226	284
Deposits	94	94	95
Accrual for bonus	18,967	18,967	18,626
Accrual for electronic data processing expenses	879	879	1,208
Accrual for sales and marketing expenses	10,184	10,184	9,477
Accrual for advertising cost	2,446	2,446	681
Accrual for other expenses	8,934	8,852	9,308
Advance premium	8,195	8,195	1,379
Others	9,605	9,605	3,814
	59,530	59,448	44,872

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

17 DEFERRED TAX LIABILITIES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
At January	16,683	16,683	13,817
Recognised in:			
Profit or loss (note 24)	10,090	10,090	2,866
At December	26,773	26,773	16,683
Current	65	65	49
Non-current	26,708	26,708	16,634
	26,773	26,773	16,683

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.

17 DEFERRED TAX LIABILITIES (CONTINUED)

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Deferred tax liabilities	26,773	26,773	16,683
Deferred tax assets	-	-	-
	26,773	26,773	16,683

	Accelerated depreciation	Revaluation-financial assets	Provision for expenses	Reserves	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Deferred tax liabilities/(assets)					
At 1 January 2017	202	3,652	(66)	12,895	16,683
Recognised in:					
Profit or loss (note 24)	147	4,448	-	5,495	10,090
At 31 December 2017	349	8,100	(66)	18,390	26,773

17 DEFERRED TAX LIABILITIES (CONTINUED)

Company	Accelerated depreciation RM'000	Revaluation-financial assets RM'000	Provision for expenses RM'000	Reserves RM'000	Total RM'000
Deferred tax liabilities/(assets)					
At 1 January 2016	160	1,632	-	12,025	13,817
Recognised in:					
Profit or loss (note 24)	42	2,020	(66)	870	2,866
At 31 December 2016/ 1 January 2017	202	3,652	(66)	12,895	16,683
Recognised in:					
Profit or loss (note 24)	147	4,448	-	5,495	10,090
At 31 December 2017	349	8,100	(66)	18,390	26,773

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

	Group 2017 RM'000	Company 2017 RM'000	Company 2016 RM'000
Subject to income tax:			
Deferred tax assets (before offsetting)			
Provision for expenses	66	66	66
Offsetting	(66)	(66)	(66)
Deferred tax assets (after offsetting)	-	-	-
Deferred tax liabilities (before offsetting)			
Property and equipment	349	349	202
Financial assets	8,100	8,100	3,652
Reserves	18,390	18,390	12,895
	26,839	26,839	16,749
Offsetting	(66)	(66)	(66)
Deferred tax liabilities (after offsetting)	26,773	26,773	16,683

18 INVESTMENT INCOME

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Rental income	591	591	596
Financial assets at FVTPL - designated upon initial recognition			
Interest income	66,804	56,885	66,272
Dividend income			
- equity securities quoted in Malaysia	9,502	9,502	3,538
- controlled structured entities	-	5,391	
LAR interest income	4,532	4,206	4,481
	81,429	76,575	74,887

19 NET REALISED GAINS

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Gain on disposal of property and equipment	95	95	757

20 NET FAIR VALUE GAINS

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Financial assets at FVTPL - designated upon initial recognition			
Unrealised gains (note 5(b))	31,956	36,363	16,343
Realised gains/(losses):			
- Malaysian Government Securities	1,535	1,412	1,692
- Quoted equity securities	9,571	9,571	(3,712)
- Unquoted corporate debt securities	865	920	(2,181)
- Unit trust funds	5,521	5,521	443
	49,448	53,787	12,585

21 OTHER OPERATING INCOME

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Recoveries from impaired bonds	113	113	-
Writeback of impairment loss (note 33)	1	1	-
Others	2,510	2,510	2,450
	2,624	2,624	2,450

22 MANAGEMENT EXPENSES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Employee benefits expense (note 22(a))	41,691	41,691	42,408
Directors' fees and allowance (note 22(b))	910	910	983
Auditors' remuneration:			
Statutory audit			
- current financial year	361	361	328
- over accrual in respect of prior financial years	-	-	(21)
Non-audit services	10	10	226
Electronic data processing expenses	3,204	3,204	4,313
Sales and marketing expenses	35,799	35,799	36,519
Advertising cost	4,299	4,299	1,657
Depreciation of property and equipment (note 3)	7,437	7,437	5,450
Amortisation of intangible assets (note 4)	182	182	-
Rental expenses	134	134	111
Telephone and postage expenses	1,676	1,676	1,802
Others	18,130	17,615	17,117
	113,833	113,318	110,893

(a) Employee benefits expense

Salaries and bonus	33,079	33,079	32,788
Defined contribution plan	4,470	4,470	4,469
Share-based payment plan (note 22(c))	325	325	300
Expatriate allowances	574	574	619
Other staff benefits	3,243	3,243	4,232
	41,691	41,691	42,408

22 MANAGEMENT EXPENSES (CONTINUED)

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

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

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

22 MANAGEMENT EXPENSES (CONTINUED)

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

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

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

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

22 MANAGEMENT EXPENSES (CONTINUED)

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

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

	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
Company						
2016						
Executive:						
Encik Ooi Say Teng	1,911	268	34	196	-	2,409
Encik Roger David Steel	-	-	-	-	16	16
	1,911	268	34	196	16	2,425
Non-executive:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	159	159
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	120	120
Encik Jose Isidro Navato Camacho	-	-	-	-	130	130
Encik Renzo Christopher Viegas	-	-	-	-	112	112
Dato' Mohd Shukri Bin Hussin	-	-	-	-	130	130
Encik Ahmad Farouk Bin Mohamed	-	-	-	-	97	97
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	96	96
Encik Roger David Steel	-	-	-	-	123	123
	1,911	268	34	196	983	3,392

22 MANAGEMENT EXPENSES (CONTINUED)

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

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

	Fixed remuneration	Variable remuneration			
Total value of remuneration awards for the financial year:	Cash-based	Cash-based	Shares and share-linked instruments	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2016					
Executive:					
Encik Ooi Say Teng	1,200	979	196	34	2,409
Encik Roger David Steel	15	1	-	-	16
	1,215	980	196	34	2,425
Non-executive:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	144	15	-	-	159
Encik Pushpanathan A/L S.A. Kanagarayar	106	14	-	-	120
Encik Jose Isidro Navato Camacho	116	14	-	-	130
Encik Renzo Christopher Viegas	102	10	-	-	112
Dato' Mohd Shukri Bin Hussin	114	16	-	-	130
Encik Ahmad Farouk Bin Mohamed	90	7	-	-	97
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	6	-	-	96
Encik Roger David Steel	106	17	-	-	123
	2,083	1,079	196	34	3,392

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.

22 MANAGEMENT EXPENSES (CONTINUED)

(c) Share-based payment plan

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Sun Share Unit Plan	325	325	300

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

23 OTHER OPERATING EXPENSES

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Allowance for impairment loss (note 33)	18	18	3
Others	564	564	440
	582	582	443

24 TAXATION

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Tax expense on the profit for the financial year:			
Income tax:			
Current tax	23,853	23,853	24,573
Deferred tax (note 17)	10,090	10,090	2,866
	33,943	33,943	27,439
Over provision in prior financial years	(1,395)	(1,395)	(372)
	32,548	32,548	27,067

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Profit before taxation attributable to Shareholders	131,682	131,682	110,501
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	31,604	31,604	26,520
Income not subject to tax	(1,449)	(1,325)	(3)
Expenses not deductible for tax purposes	124	-	407
Section 110B tax credit set off	(4,419)	(4,419)	(3,689)
Over provision in prior financial years	(1,395)	(1,395)	(372)
Tax on investment income attributable to policyholders and unitholders	8,083	8,083	4,842
Changes in tax rate	-	-	(638)
Tax expense for the financial year	32,548	32,548	27,067

25 EARNINGS PER SHARE

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders (RM'000)	107,217	107,217	88,276
Weighted average number of shares in issue ('000)	242,000	242,000	242,000
Basic earnings per share (sen)	44.30	44.30	36.48

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

26 DIVIDENDS

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

	2017		2016	
	RM per share	RM'000	RM per share	RM'000
Dividend in respect of the financial year:				
Perpetual Non-Cumulative Preference Shares	0.08	8,000	0.08	8,000
Ordinary Shares	0.3054	73,900	0.3388	82,000
		81,900		90,000

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

27 OPERATING LEASE COMMITMENTS

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Not later than 1 year	304	304	391
Later than 1 year and not later than 5 years	139	139	124
	443	443	515

28 CAPITAL COMMITMENTS

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Approved and contracted for:			
Property and equipment	3,712	3,712	1,177
Approved but not contracted for:			
Property and equipment	5,015	5,015	1,323
	8,727	8,727	2,500

29 FAIR VALUE MEASUREMENTS

Fair value of assets and liabilities for which fair value is disclosed at reporting date

The Group and the Company measures at fair value for financial instruments classified at fair value through profit or loss on a recurring basis. The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

29 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets and liabilities for which fair value is disclosed at reporting date (continued)

The Group and the Company does not have any liabilities carried at fair value as at 31 December 2017 and 2016.

The Group and the Company does not have assets or liabilities measured at fair value on a non-recurring basis during the financial year ended 31 December 2017 (2016: nil).

A summary of the fair value hierarchy of assets not carried at fair value but for which the fair value is disclosed as at 31 December 2017 is shown below.

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Group/Company				
At 31 December 2017				
Assets for which the fair value is disclosed				
Self-occupied properties	-	45,140	-	45,140
Total assets for which the fair value is disclosed	-	45,140	-	45,140
At 31 December 2016				
Assets for which the fair value is disclosed				
Self-occupied properties	-	45,140	-	45,140
Total assets for which the fair value is disclosed	-	45,140	-	45,140

Level 2 fair value disclosure for self-occupied properties has been derived using the sales comparison approach. Under the sales comparison approach, the recent sales prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location and condition of the properties. The most significant input into this valuation approach is the selling price per square foot.

The Group and the Company does not have any liabilities not carried at fair value but for which fair value is disclosed as at 31 December 2017 and 2016.

30 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

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

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
(Income)/expenses			
Premiums received from CIMB Bank and CIMB Principal	(14,988)	(14,988)	(9,651)
Premiums paid to SLMTB	280	280	268
Interest earned from deposits in CIMB Bank and CIBB	(553)	(553)	(642)
Commission paid to CIMB Bank and CWAB	54,307	54,307	43,328
Sales and marketing expenses paid to CIMB Bank, CIMB Principal and SLACC	27,707	27,707	19,923
Rental income received from CIMB Bank and SLMTB	(560)	(560)	(527)
Shared service expenses charged to SLMTB	(62,386)	(62,386)	(46,481)
Charges paid to SLACC	2,930	2,930	2,426
Insurance expenses paid to CIMB Howden	1	1	915
Investment management fee paid to CIMB Principal	843	843	667
Internal audit fees paid to SLACC	31	31	213
Reimbursement of expenses received from SLF Asia	(397)	(397)	-

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Amount due from SLMTB	15,267	15,267	5,222
Amount due to SLACC	(180)	(180)	(2,128)
Amount due to CIMB Bank and CIMB Principal	(13,850)	(13,850)	(6,769)

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

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	11,282	11,282	9,510
Defined contribution plan	1,352	1,352	1,117
Fees and allowance	910	910	983
Share-based payment plan	325	325	300
	13,869	13,869	11,910

The estimated cash value of benefits-in-kind provided to key management personnel of the Group and the Company amounted to RM170,333 (2016: RM199,834).

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

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

	Group/Company 2017			Company 2016		
	Number of persons	Unrestricted	Deferred	Number of persons	Unrestricted	Deferred
Fixed remuneration cash-based	15	7,389	-	11	6,462	-
Variable remuneration cash-based	13	5,245	-	11	4,165	-
Shares and share-linked remuneration	2	-	325	2	-	300
Benefits-in-kind	4	170	-	4	200	-

During the financial year, there was one key management personnel entitled to sign-on awards amounted to RM10,699 (2016: RM53,873).

31 RISK MANAGEMENT FRAMEWORK

(a) Risk management

The Board recognises that risk management is an integral part of the Group's and the Company's business objectives and is critical for the Group and the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Group and the Company have put in place a Risk Management Framework ("RMF") to manage 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 that provides oversight responsibilities on

31 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk management (continued)

operational, financial and insurance risk management in facilitating the optimisation of the risk and return profile of the Group and the Company.

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

The Group and the Company 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 Group and the Company has a set of formal risk management policies. These risk policies set out the risk management and control standards for the Group's and the Company's operations. As the Group's and the Company's business responds to changing market conditions and customer needs, the management regularly monitors the appropriateness of the Group's and the Company's risk policies to ensure that they remain up-to-date.

(b) Capital management

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

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

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

31 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Governance

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

(d) Asset-Liability Management (“ALM”)

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

32 INSURANCE RISK

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

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

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

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

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

32 INSURANCE RISK (CONTINUED)

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

	Group/Company 2017			Company 2016		
Group	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Whole life	28,406	2,254	30,660	16,780	(783)	15,997
Term assurance	180,376	(8,078)	172,298	190,330	(10,885)	179,445
Endowment	241,767	(1,084)	240,683	247,542	(1,036)	246,506
Mortgage	698,278	(50,232)	648,046	690,799	(78,276)	612,523
Others	43,351	(590)	42,761	41,441	(442)	40,999
	1,192,178	(57,730)	1,134,448	1,186,892	(91,422)	1,095,470

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

Key assumptions

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

32 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

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

Discount rate

i. Risk-free rate

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

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

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

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

ii. Fund-based yield

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

A flat gross fund-based yield of 4.38% (2016: 4.03%) per annum is assumed for all durations.

The fund-based yield employed is reduced for tax on investment income in the Participating fund.

32 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Mortality and morbidity

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

Lapse rate

Best estimate assumptions are based on the Group's and the Company's recent experience studies. Depending on the product type, PRAD is set at 35% (credit life mortgage products), 25% (PAR products) or 20% (others products) of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the experience of the Group and the Company. An inflation rate of 3.6% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked funds' future growth rate

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

32 INSURANCE RISK (CONTINUED)

Sensitivities

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

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

32 INSURANCE RISK (CONTINUED)

Sensitivities

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

	Change in best estimate assumptions	Impact on gross actuarial liabilities	Impact on net actuarial liabilities	Impact on profit before tax	Impact on equity*
	%	RM'000	RM'000	RM'000	RM'000
Company					
2016					
Mortality/morbidity	+10	71,343	12,799	(12,717)	(10,174)
Expenses	+10	8,609	8,609	(8,575)	(6,860)
Lapse and surrender rates	+10	6,631	8,297	(8,457)	(6,766)
Discount rate	-1	93,338	85,107	(83,656)	(66,925)

* 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.

33 FINANCIAL RISKS

(a) Credit risk

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

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

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

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

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

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

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

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

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

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

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

Company

2016	Life and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
LAR			
Fixed and call deposits	128,778	8,095	136,873
Loans	10,355	-	10,355
Financial assets at FVTPL - designated upon initial recognition			
Malaysian Government Securities	437,152	1,480	438,632
Cagamas bonds	21,615	-	21,615
Quoted equity securities	11,425	44,810	56,235
Unit trust funds	-	121,077	121,077
Unquoted corporate debt securities	962,622	33,869	996,491
Unquoted equity securities	174	-	174
Reinsurance assets	103,245	-	103,245
Insurance receivables	5,746	-	5,746
Other receivables	24,591	909	25,500
Cash and bank balances	16,575	91	16,666
	1,722,278	210,331	1,932,609

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

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

Group

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

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

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

Company

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

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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

Company

2016	Neither past-due nor impaired AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment-linked funds RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
LAR										
Fixed and call deposits	53,569	75,209	-	-	-	-	8,095	-	-	136,873
Loans	-	-	-	-	10,355	-	-	-	-	10,355
Financial assets at FVTPL - designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	437,152	-	1,480	-	-	438,632
Cagamas bonds	21,615	-	-	-	-	-	-	-	-	21,615
Quoted equity securities	-	-	-	-	-	11,425	44,810	-	-	56,235
Unit trust funds	-	-	-	-	-	-	121,077	-	-	121,077
Unquoted corporate debt securities	100,932	420,319	-	-	441,371	-	33,869	-	-	996,491
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	78,721	-	-	24,524	-	-	-	-	103,245
Insurance receivables	-	73	-	-	5,673	-	-	-	1	5,747
Other receivables	-	-	-	-	24,591	-	909	-	-	25,500
Cash and bank balances	16,340	14	-	-	221	-	91	-	-	16,666
Allowance for impairment losses	-	-	-	-	-	-	-	-	(1)	(1)
	192,456	574,336	-	-	943,887	11,599	210,331	-	-	1,932,609

33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Impaired Insurance Receivables

At 31 December 2017, there are no impaired Insurance receivables (2016: RM1,359). Impairment of insurance receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

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

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
As at 1 January	1	1	-
Allowance for impairment loss during the financial year (note 23)	18	18	3
Write off against insurance receivables	(18)	(18)	(2)
Writeback of impairment loss (note 21)	(1)	(1)	(2)
	-	-	1

(b) Liquidity risk

Liquidity risk is the risk where the Group and the Company are unable to meet its obligations at reasonable cost or at any time. The Investment department of the Group and the Company manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Group and the Company has a strong liquidity position and 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 Group's and the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance contract liabilities.

The investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders' account in the insurance contract liabilities.

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

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

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

2016	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
LAR									
Fixed and call deposits	136,873	128,948	-	-	-	-	-	8,095	137,043
Loans	10,355	10,355	-	-	-	-	-	-	10,355
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	438,632	18,672	158,721	50,818	314,349	48,347	-	1,480	592,387
Cagamas bonds	21,615	1,186	16,268	650	7,149	-	-	-	25,253
Quoted equity securities	56,235	-	-	-	-	-	11,425	44,810	56,235
Unit trust funds	121,077	-	-	-	-	-	-	121,077	121,077
Unquoted corporate debt securities	996,491	102,620	187,480	160,493	759,453	139,010	-	33,869	1,382,925
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	103,245	15,578	17,483	16,409	61,477	43,824	-	-	154,771
Insurance receivables	5,746	5,746	-	-	-	-	-	-	5,746
Other receivables	25,500	24,591	-	-	-	-	-	909	25,500
Cash and bank balances	16,666	-	-	-	-	-	16,575	91	16,666
Total assets	1,932,609	307,696	379,952	228,370	1,142,428	231,181	28,174	210,331	2,528,132

33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016 (continued)									
Insurance contract liabilities	1,359,658	165,569	172,595	178,014	694,431	408,668	619	172,147	1,792,043
Insurance claims liabilities	18,546	18,546	-	-	-	-	-	-	18,546
Insurance payables	14,009	14,009	-	-	-	-	-	-	14,009
Other financial liabilities	6,259	5,702	-	-	-	-	-	557	6,259
Other payables	44,872	43,608	-	-	-	-	-	1,264	44,872
Total liabilities	1,443,344	247,434	172,595	178,014	694,431	408,668	619	173,968	1,875,729

33 FINANCIAL RISKS (CONTINUED)

(c) Market risk

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

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

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

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

(i) Interest rate risk

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

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

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

33 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

2017	Group		Company	
Change in interest rate	Impact on profit before taxation	Impact on equity*	Impact on profit before taxation	Impact on equity*
	RM'000	RM'000	RM'000	RM'000
+ 100 basis points	(90,098)	(68,474)	(89,193)	(67,786)
- 100 basis points	100,625	76,475	99,702	75,773

2016	Company	
Change in interest rate	Impact on profit before taxation	Impact on equity*
	RM'000	RM'000
+ 100 basis points	(86,450)	(65,702)
- 100 basis points	96,122	73,053

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

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

(ii) Price risk

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

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

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

33 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

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

2017	Group		Company	
Change in price	Impact on profit before taxation	Impact on equity*	Impact on profit before taxation	Impact on equity*
	RM'000	RM'000	RM'000	RM'000
Market price				
+ 20%	20,340	15,459	20,340	15,459
- 20%	(20,340)	(15,459)	(20,340)	(15,459)

2016		Company
Change in variables	Impact on profit before taxation	Impact on equity*
	RM'000	RM'000
Market price		
+ 20%	2,650	2,014
- 20%	(2,650)	(2,014)

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

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

(d) Operational risk

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

33 FINANCIAL RISKS (CONTINUED)

(d) Operational risk (continued)

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

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

- Establish standard tools and processes for managing Operational Risks within the Group and the Company.

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

34 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2017, as prescribed under the RBC Framework is provided below:

	Group	Company	
	2017	2017	2016
	RM'000	RM'000	RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	358,000	358,000	342,000
Share premium	-	-	16,000
Retained earnings	111,777	111,777	108,440
Eligible contract liabilities	95,609	95,609	67,919
	565,386	565,386	534,359
Amounts deducted from capital	(5,868)	(5,868)	(3)
Total capital available	559,518	559,518	534,356

35 INSURANCE FUNDS

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

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

Statement of Financial Position by Funds as at 31 December 2017

2017	Shareholders' Fund	Life Fund	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Group				
Assets				
Property and equipment	-	54,945	-	54,945
Intangible assets	-	5,868	-	5,868
Financial assets	396,965	1,455,227	(39,236)	1,812,956
Loans and receivables	16,661	73,586	-	90,247
Reinsurance assets	-	72,020	-	72,020
Insurance receivables	-	6,860	-	6,860
Other receivables	175,004	23,617	(174,966)	23,655
Current tax assets	(16,600)	17,178	-	578
Cash and bank balances	16	23,814	-	23,830
Total assets	572,046	1,733,115	(214,202)	2,090,959

35 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2017 (continued)

2017	Shareholders' Fund	Life Fund	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Group				
Share capital	358,000	-	-	358,000
Retained earnings	111,777	-	-	111,777
Reserves	73,566	-	-	73,566
Total equity	543,343	-	-	543,343
Liabilities				
Insurance contract liabilities	-	1,453,448	(39,236)	1,414,212
Insurance claims liabilities	-	21,277	-	21,277
Insurance payables	-	12,444	-	12,444
Other financial liabilities	5,164	8,216	-	13,380
Other payables	650	233,846	(174,966)	59,530
Deferred tax liabilities	22,889	3,884	-	26,773
Total liabilities	28,703	1,733,115	(214,202)	1,547,616
Total equity, policyholders' funds and liabilities	572,046	1,733,115	(214,202)	2,090,959

35 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2017 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Assets								
Property and equipment	-	-	54,945	54,784	-	-	54,945	54,784
Intangible assets	-	-	5,868	-	-	-	5,868	-
Financial assets	399,254	384,394	1,455,227	1,285,690	(39,236)	(35,860)	1,815,245	1,634,224
Loans and receivables	9,131	13,473	73,586	133,755	-	-	82,717	147,228
Reinsurance assets	-	-	72,020	103,245	-	-	72,020	103,245
Insurance receivables	-	-	6,860	5,746	-	-	6,860	5,746
Other receivables	175,004	148,725	23,617	25,479	(174,966)	(148,704)	23,655	25,500
Current tax assets	(16,600)	-	17,178	-	-	-	578	-
Cash and bank balances	11	11	23,814	16,655	-	-	23,825	16,666
Total assets	566,800	546,603	1,733,115	1,625,354	(214,202)	(184,564)	2,085,713	1,987,393

35 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2017 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Share capital	358,000	342,000	-	-	-	-	358,000	342,000
Share premium	-	16,000	-	-	-	-	-	16,000
Retained earnings	111,777	108,440	-	-	-	-	111,777	108,440
Reserves	73,566	51,586	-	-	-	-	73,566	51,586
Total equity	543,343	518,026	-	-	-	-	543,343	518,026
Liabilities								
Insurance contract liabilities	-	-	1,453,448	1,395,518	(39,236)	(35,860)	1,414,212	1,359,658
Insurance claims liabilities	-	-	21,277	18,546	-	-	21,277	18,546
Insurance payables	-	-	12,444	14,009	-	-	12,444	14,009
Other financial liabilities	-	-	8,216	6,259	-	-	8,216	6,259
Other payables	568	547	233,846	193,029	(174,966)	(148,704)	59,448	44,872
Current tax liabilities	-	12,540	-	(3,200)	-	-	-	9,340
Deferred tax liabilities	22,889	15,490	3,884	1,193	-	-	26,773	16,683
Total liabilities	23,457	28,577	1,733,115	1,625,354	(214,202)	(184,564)	1,542,370	1,469,367
Total equity, policyholders' funds and liabilities	566,800	546,603	1,733,115	1,625,354	(214,202)	(184,564)	2,085,713	1,987,393

35 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2017

2017	Shareholders' Fund	Life Fund	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Group				
Gross premiums	-	560,718	-	560,718
Premiums ceded to reinsurers	-	(57,444)	-	(57,444)
Net premiums	-	503,274	-	503,274
Investment income	16,871	64,558	-	81,429
Net realised gains	-	95	-	95
Net fair value gains	5,303	47,522	(3,377)	49,448
Other operating income	115	2,509	-	2,624
Other income	22,289	114,684	(3,377)	133,596
Gross benefits and claims paid	-	(285,009)	-	(285,009)
Claims ceded to reinsurers	-	50,621	-	50,621
Gross change in contract liabilities	-	(57,931)	3,377	(54,554)
Change in contract liabilities ceded to reinsurers	-	(33,692)	-	(33,692)
Net claims	-	(326,011)	3,377	(322,634)

35 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2017 (continued)

2017	Shareholders' Fund	Life Fund	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Group				
Commission expenses	-	(58,399)	-	(58,399)
Management expenses	(515)	(113,318)	-	(113,833)
Other operating expenses	(567)	(15)	-	(582)
Investment expenses	(1)	(1,656)	-	(1,657)
Other expenses	(1,083)	(173,388)	-	(174,471)
Profit before taxation	21,206	118,559	-	139,765
Tax expense attributable to policyholders and unitholders	-	(8,083)	-	(8,083)
Transfer from life fund	110,476	(110,476)	-	-
Profit before taxation attributable to Shareholders	131,682	-	-	131,682
Taxation	(24,465)	(8,083)	-	(32,548)
Tax expense attributable to policyholders and unitholders	-	8,083	-	8,083
Tax expense attributable to Shareholders	(24,465)	-	-	(24,465)
Net profit for the financial year	107,217	-	-	107,217

Company No.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

35 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2017

	Shareholders' Fund		Life Fund		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Gross premiums	-	-	560,718	448,311	-	-	560,718	448,311
Premiums ceded to reinsurers	-	-	(57,444)	(68,351)	-	-	(57,444)	(68,351)
Net premiums	-	-	503,274	379,960	-	-	503,274	379,960
Investment income	12,017	16,210	64,558	58,677	-	-	76,575	74,887
Net realised gains	-	-	95	757	-	-	95	757
Net fair value gains	9,642	2,518	47,522	10,086	(3,377)	(19)	53,787	12,585
Other operating income	115		2,509	2,450	-	-	2,624	2,450
Other income	21,774	18,728	114,684	71,970	(3,377)	(19)	133,081	90,679
Gross benefits and claims paid	-	-	(285,009)	(233,512)	-	-	(285,009)	(233,512)
Claims ceded to reinsurers	-	-	50,621	43,509	-	-	50,621	43,509
Gross change in contract liabilities	-	-	(57,931)	13,369	3,377	19	(54,554)	13,388
Change in contract liabilities ceded to reinsurers	-	-	(33,692)	(15,900)	-	-	(33,692)	(15,900)
Net claims	-	-	(326,011)	(192,534)	3,377	19	(322,634)	(192,515)

35 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2017 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Commission expenses	-	-	(58,399)	(49,740)	-	-	(58,399)	(49,740)
Management expenses	-	-	(113,318)	(110,893)	-	-	(113,318)	(110,893)
Other operating expenses	(567)	(440)	(15)	(3)	-	-	(582)	(443)
Investment expenses	(1)	-	(1,656)	(1,705)	-	-	(1,657)	(1,705)
Other expenses	(568)	(440)	(173,388)	(162,341)	-	-	(173,956)	(162,781)
Profit before taxation	21,206	18,288	118,559	97,055	-	-	139,765	115,343
Tax expense attributable to policyholders and unitholders	-	-	(8,083)	(4,842)	-	-	(8,083)	(4,842)
Transfer from life fund	110,476	92,213	(110,476)	(92,213)	-	-	-	-
Profit before taxation attributable to Shareholders	131,682	110,501	-	-	-	-	131,682	110,501
Taxation	(24,465)	22,225)	(8,083)	(4,842)	-	-	(32,548)	(27,067)
Tax expense attributable to policyholders and unitholders	-	-	8,083	4,842	-	-	8,083	4,842
Tax expense attributable to Shareholders	(24,465)	(22,225)	-	-	-	-	(24,465)	(22,225)
Net profit for the financial year	107,217	88,276	-	-	-	-	107,217	88,276

35 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2017

2017	Shareholders' Fund RM'000	Life Fund RM'000	Total RM'000
Group			
Cash flows from:			
Operating activities	81,905	17,532	99,437
Investing activities	-	(10,373)	(10,373)
Financing activities	(81,900)	-	(81,900)
Cash and cash equivalents:			
Net increase in cash and cash equivalents	5	7,159	7,164
At beginning of the financial year	11	16,655	16,666
At end of the financial year	16	23,814	23,830

35 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2017

	Shareholders' Fund		Life Fund		Total	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Cash flows from:						
Operating activities	81,900	90,001	17,532	11,193	99,432	101,194
Investing activities	-	-	(10,373)	(9,219)	(10,373)	(9,219)
Financing activities	(81,900)	(90,000)	-	-	(81,900)	(90,000)
Cash and cash equivalents:						
Net increase in cash and cash equivalents	-	1	7,159	1,974	7,159	1,975
At beginning of the financial year	11	10	16,655	14,681	16,666	14,691
At end of the financial year	11	11	23,814	16,655	23,825	16,666

36 INVESTMENT-LINKED FUNDS

Investment-linked funds' Statement of Financial Position as at 31 December 2017

	Group/Company 2017 RM'000	Company 2016 RM'000
Assets		
Financial assets	253,141	201,236
Loans and receivables	8,871	8,095
Other receivables	510	909
Cash and bank balances	606	91
Current tax assets	-	56
Total assets	263,128	210,387
Liabilities		
Other financial liabilities	-	557
Other payables	275	1,264
Current tax liabilities	1,120	-
Deferred tax liabilities	1,935	559
Total liabilities	3,330	2,380
Net asset value	259,798	208,007

Investment-linked funds' Statement of Comprehensive Income for the financial year ended 31 December 2017

	Group/Company 2017 RM'000	Company 2016 RM'000
Investment income	8,986	4,015
Net fair value gains	29,369	4,592
	38,355	8,607
Management expenses	(1,223)	(1,162)
Investment expenses	(692)	(516)
Profit before taxation	36,440	6,929
Taxation	(2,494)	(502)
Net profit for the financial year	33,946	6,427

36 INVESTMENT-LINKED FUNDS (CONTINUED)

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

Statement of Financial Position

	Group/Company 2017 RM'000	Company 2016 RM'000
Assets		
Financial assets	19,519	17,414
Other receivables	261	78
Total assets	19,780	17,492
Liabilities		
Other payables	30	16
Current tax liabilities	37	14
Deferred tax liabilities	203	56
Total liabilities	270	86
Net asset value	19,510	17,406

Statement of Comprehensive Income

	Group/Company 2017 RM'000	Company 2016 RM'000
Net fair value gains/(losses)	2,305	(366)
Management expenses	(11)	(10)
Profit/(loss) before taxation	2,294	(376)
Taxation	(184)	29
Net profit/(loss) for the financial year	2,110	(347)