

Company No.

689263	M
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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

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Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	30.6.2017				Audited 31.12.2016			
		Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
ASSETS									
Property and equipment		748	-	-	748	222	-	-	222
Intangible assets		30	-	-	30	36	-	-	36
Available-for-sale financial assets	13	270,260	40,097	709,397	1,011,153	267,547	29,857	701,075	990,441
Fair value through profit or loss financial assets	13	-	-	81,310	81,310	-	-	32,791	32,791
Financing and receivables		63,395	10,999	100,474	174,868	40,761	14,827	84,021	139,609
Takaful receivables		-	2,868	33,274	36,142	-	3,026	30,366	33,392
Retakaful assets	14	-	6,920	82,981	89,901	-	7,140	37,743	44,883
Other receivables		79,164	2	606	1,262	62,116	28	7,158	7,271
Deferred tax assets		1,804	234	(433)	1,605	3,209	240	94	3,543
Cash and bank balances		3,976	3,012	19,637	26,625	4,983	3,015	15,745	23,743
Total assets		419,377	64,132	1,027,246	1,423,644	378,874	58,133	908,993	1,275,931

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017 (CONTINUED)

	Note	30.6.2017				Audited 31.12.2016			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES									
Share capital		200,000	-	-	200,000	100,010	-	-	100,010
Share premium		-	-	-	-	99,990	-	-	99,990
Available-for-sale reserve		2,846	-	-	2,846	717	-	-	717
Retained earnings		146,406	-	-	146,406	101,526	-	-	101,526
Total equity		349,252	-	-	349,252	302,243	-	-	302,243
LIABILITIES									
Takaful contract liabilities	15	-	47,303	940,982	979,684	-	44,186	834,531	870,679
Takaful payables		-	1,611	17,146	18,757	-	2,764	17,505	20,269
Other payables		32,917	15,218	69,112	38,737	28,521	10,938	56,552	33,980
Expense liabilities		29,372	-	-	29,372	42,664	-	-	42,664
Current tax liabilities		7,836	-	6	7,842	5,446	245	405	6,096
Total liabilities		70,125	64,132	1,027,246	1,074,392	76,631	58,133	908,993	973,688
TOTAL EQUITY AND LIABILITIES		419,377	64,132	1,027,246	1,423,644	378,874	58,133	908,993	1,275,931

Note:

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

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	6 months period ended 30.6.2017				6 months period ended 30.6.2016			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross earned contribution	-	24,747	236,852	261,599	-	35,227	225,162	260,389
Contribution ceded to retakaful operators	-	(2,849)	(25,693)	(28,542)	-	(2,744)	(22,291)	(25,035)
Net earned contribution	-	21,898	211,159	233,057	-	32,483	202,871	235,354
Wakalah income	113,588	-	-	-	105,386	-	-	-
Surplus sharing from General and Family Takaful funds	17,623	-	-	-	9,423	-	-	-
Investment income	7,356	877	18,731	25,890	5,838	937	15,285	21,126
Realised gains	-	(1)	686	685	569	172	374	1,115
Net fair value gains	-	-	5,563	5,563	-	-	-	-
Commission income	-	-	127	127	-	-	47	47
Other operating income	14,057	9	36	14,102	698	81	56	835
Total income	152,624	22,783	236,302	279,424	121,914	33,673	218,633	258,477

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(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

	6 months period ended 30.6.2017				6 months period ended 30.6.2016			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross benefits and claims paid	-	(2,938)	(89,620)	(92,558)	-	(10,433)	(68,291)	(78,724)
Claims ceded to retakaful operators	-	1,236	28,821	30,057	-	7,461	22,776	30,237
Gross change in Takaful contract liabilities	-	(2,357)	(105,509)	(107,866)	-	(3,066)	(83,250)	(86,316)
Change in Takaful contract liabilities ceded to retakaful operators	-	(137)	45,238	45,101	-	(2,215)	2,244	29
	-	(4,196)	(121,070)	(125,266)	-	(8,253)	(126,521)	(134,774)
Surplus sharing with Takaful operator	-	(4,227)	(13,396)	-	-	(4,971)	(4,452)	-
Wakalah expenses	-	(14,738)	(98,850)	-	-	(20,873)	(84,513)	-
Net fair value losses	-	-	-	-	-	-	(127)	(127)
Commission expenses	(36,261)	-	-	(36,261)	(37,950)	-	-	(37,950)
Management expenses	(59,522)	-	-	(59,522)	(50,492)	-	-	(50,492)
Other operating expenses	(5,890)	(56)	(1,853)	(6,725)	(10,436)	-	(1,820)	(11,322)
Total expenses	(101,673)	(19,021)	(114,099)	(102,508)	(98,878)	(25,844)	(90,912)	(99,891)
Profit/(loss) before taxation	50,951	(434)	1,133	51,650	23,036	(424)	1,200	23,812

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(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

	6 months period ended 30.6.2017				6 months period ended 30.6.2016			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Profit/(loss) before taxation	50,951	(434)	1,133	51,650	23,036	(424)	1,200	23,812
Tax expense attributable to participants	-	434	(1,133)	(699)	-	424	(1,166)	(742)
Profit before taxation attributable to Shareholders	50,951	-	-	50,951	23,036	-	34	23,070
Taxation	(6,071)	434	(1,133)	(6,770)	(2,083)	424	(1,166)	(2,836)
Tax expense attributable to participants	-	(434)	1,133	699	-	(424)	1,166	742
Tax expense attributable to Shareholders	(6,071)	-	-	(6,071)	(2,083)	-	-	(2,094)
Net profit for the financial period	44,880	-	-	44,880	20,953	-	34	20,976

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

	6 months period ended 30.6.2017				6 months period ended 30.6.2016			
	Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income:								
Items that may be subsequently reclassified to profit or loss:								
Fair value change on available-for-sale financial assets:								
- Revaluation	2,801	136	431	3,368	6,289	288	14,308	20,885
- Transfer to profit or loss upon disposal	-	-	593	593	128	(40)	110	198
- Gross fair value changes	2,801	136	1,024	3,961	6,417	248	14,418	21,083
- Deferred taxation	(672)	(33)	(82)	(787)	(1,545)	(61)	(1,153)	(2,759)
- Net fair value changes	2,129	103	942	3,174	4,872	187	13,265	18,324
Changes in Takaful contract liabilities arising from unrealised net fair value changes	-	(103)	(942)	(1,045)	-	(187)	(13,265)	(13,452)
Other comprehensive income for the financial period, net of tax	2,129	-	-	2,129	4,872	-	-	4,872
Total comprehensive income for the financial period	47,009	-	-	47,009	25,825	-	34	25,848

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	Non-distributable				
	Share	Share	Available-	Retained	Total
	capital	premium	for-sale	earnings	
	RM'000	RM'000	reserve	RM'000	RM'000
			RM'000		
As at 1 January 2017	100,010	99,990	717	101,526	302,243
Transition to no-par value regime on 31 January 2017 ¹	99,990	(99,990)	-	-	-
Total comprehensive income for the financial period	-	-	2,129	44,880	47,009
As at 30 June 2017	<u>200,000</u>	<u>-</u>	<u>2,846</u>	<u>146,406</u>	<u>349,252</u>
As at 1 January 2016	100,010	99,990	(353)	13,449	213,096
Total comprehensive income for the financial period	-	-	4,872	20,976	25,848
As at 30 June 2016	<u>100,010</u>	<u>99,990</u>	<u>4,519</u>	<u>34,425</u>	<u>238,944</u>

¹ The new Companies Act 2016 (the "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 RM99,990,000 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.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	6 months period ended 30.6.2017 RM'000	6 months period ended 30.6.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	44,880	20,976
Adjustments for:		
Depreciation of property and equipment	3	51
Amortisation of intangible assets	6	-
Amortisation of premiums	142	294
Realised gains on disposal of financial assets	(685)	(1,115)
Profit income	(25,122)	(21,130)
Dividend income	(910)	(289)
Net fair value (gains)/losses	(5,563)	127
(Decrease)/increase in expense liabilities	(13,292)	6,636
Writeback of allowance for doubtful debts on Takaful receivables	(53)	(45)
Increase in General Takaful contract liabilities	3,014	2,126
Increase in Family Takaful contract liabilities	105,509	83,250
Taxation	6,770	2,836
	<hr/>	<hr/>
Profit from operations before changes in operating assets and liabilities	114,699	93,717
Proceeds from disposal and maturity of investments	116,011	94,388
Purchase of investments	(175,872)	(188,125)
Decrease/(increase) in other receivables	6,010	(1,476)
Increase in Takaful receivables	(2,697)	(5,901)
(Increase)/decrease in financing and receivables	(35,168)	4,694
Increase in retakaful assets	(45,018)	(428)
Increase/(decrease) in other payables	4,872	(1,375)
Decrease in Takaful payables	(1,512)	(1,300)
	<hr/>	<hr/>
	(18,675)	(5,806)
Income tax paid	(3,874)	(3,793)
Zakat paid	(115)	(50)
Profit income received	25,165	20,516
Dividend income received	910	218
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Net cash generating from operating activities	3,411	11,085
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

	6 months period ended 30.6.2017 RM'000	6 months period ended 30.6.2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(529)	-
Net cash used in investing activities	(529)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,882	11,085
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	23,743	19,520
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	26,625	30,605
Cash and cash equivalents comprise:		
Cash and bank balances	26,625	30,605

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

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the nature of these activities during the six months period ended 30 June 2017.

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

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

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

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

2 BASIS OF PREPARATION

The unaudited interim financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, "Interim Financial Reporting" which do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2016.

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

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

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and presentation adopted by the Company in the interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2016, except for the following:

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

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

The amendments shall be applied retrospectively.

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

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017. None of these are expected to have a significant effect on the financial statements of the 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".

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The Company is in the process of assessing the financial impact of application of this standard onto the Company's financial statements.

- 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 the 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The Company is in the process of assessing the financial impact of application of this standard onto the Company's financial statements.

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

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

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

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

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company is in the process of assessing the financial impact of application of this standard onto the Company's financial statements.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

4 SEASONALITY OF OPERATIONS

The business operations of the Company were not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2017.

5 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the prior financial year that has a material effect in the six months period ended 30 June 2017.

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

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence during the six months period ended 30 June 2017.

7 ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

There were no issues, repurchases and repayments of debts and equity securities during the six months period ended 30 June 2017.

8 DIVIDENDS PAID

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

9 CONTINGENT LIABILITIES

There were no material contingent liabilities that have arisen during the six months period ended 30 June 2017.

10 SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant events and transactions that have not been reflected in the financial statements for the six months period ended 30 June 2017.

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

11 SUBSEQUENT EVENTS

There were no material events after the interim period that have not been reflected in the financial statements for the six months period ended 30 June 2017.

12 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company during the six months period ended 30 June 2017.

13 FINANCIAL ASSETS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000\
<u>30.6.2017</u>				
Government Investment Issues	129,381	12,268	151,341	292,990
Cagamas Sukuk	-	-	10,201	10,201
Unquoted Sukuk	132,278	27,829	547,855	707,962
Quoted equity securities	-	-	56,686	56,686
Unit trust funds	-	-	24,624	24,624
Investments in investment-linked funds	8,601	-	-	-
Total	<u>270,260</u>	<u>40,097</u>	<u>790,707</u>	<u>1,092,463</u>
<u>31.12.2016</u>				
Government Investment Issues	127,955	12,275	172,234	312,464
Cagamas Sukuk	-	-	15,234	15,234
Unquoted Sukuk	131,554	17,582	513,607	662,743
Quoted equity securities	-	-	11,868	11,868
Unit trust funds	-	-	20,923	20,923
Investments in investment-linked funds	8,038	-	-	-
Total	<u>267,547</u>	<u>29,857</u>	<u>733,866</u>	<u>1,023,232</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

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

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>30.6.2017</u>				
AFS	270,260	40,097	709,397	1,011,153
FVTPL – designated upon initial Recognition	-	-	81,310	81,310
Total	<u>270,260</u>	<u>40,097</u>	<u>790,707</u>	<u>1,092,463</u>
<u>31.12.2016</u>				
AFS	267,547	29,857	701,075	990,441
FVTPL – designated upon initial recognition	-	-	32,791	32,791
Total	<u>267,547</u>	<u>29,857</u>	<u>733,866</u>	<u>1,023,232</u>

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

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>30.6.2017</u>				
AFS	<u>258,406</u>	<u>33,786</u>	<u>696,273</u>	<u>988,465</u>
<u>31.12.2016</u>				
AFS	<u>259,510</u>	<u>28,857</u>	<u>701,075</u>	<u>989,442</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(a) AFS

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>30.6.2017</u>				
Government Investment Issues	129,381	12,268	151,341	292,990
Cagamas Sukuk	-	-	10,201	10,201
Unquoted Sukuk	132,278	27,829	547,855	707,962
Investments in investment-linked funds	8,601	-	-	-
Total	<u>270,260</u>	<u>40,097</u>	<u>709,397</u>	<u>1,011,153</u>
<u>31.12.2016</u>				
Government Investment Issues	127,955	12,275	172,234	312,464
Cagamas Sukuk	-	-	15,234	15,234
Unquoted Sukuk	131,554	17,582	513,607	662,743
Investments in investment-linked funds	8,038	-	-	-
Total	<u>267,547</u>	<u>29,857</u>	<u>701,075</u>	<u>990,441</u>

(b) FVTPL – designated upon initial recognition

	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>30.6.2017</u>		
Quoted equity securities	56,686	56,686
Unit trust funds	24,624	24,624
Total	<u>81,310</u>	<u>81,310</u>
<u>31.12.2016</u>		
Quoted equity securities	11,868	11,868
Unit trust funds	20,923	20,923
Total	<u>32,791</u>	<u>32,791</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
1 January 2017	267,547	29,857	701,075	-	32,791	1,023,232
Purchases	-	15,120	84,900	-	75,852	175,872
Maturities	-	(5,001)	-	-	-	(5,001)
Disposals	-	-	(77,428)	-	(32,914)	(110,342)
Fair value gains recorded in:						
Profit or loss	-	-	-	-	5,581	5,581
Other comprehensive income	2,801	136	1,024	-	-	3,961
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(563)
Movement in accrued profit	(17)	42	(160)	-	-	(135)
Amortisation adjustments	(72)	(57)	(13)	-	-	(142)
At 30 June 2017	<u>270,260</u>	<u>40,097</u>	<u>709,397</u>	<u>-</u>	<u>81,310</u>	<u>1,092,463</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2016	220,513	36,426	539,183	-	30,916	819,098
Purchases	94,860	8,612	219,444	-	54,055	376,971
Maturities	-	-	(3,075)	-	(500)	(3,575)
Disposals	(49,427)	(14,922)	(59,988)	-	(50,810)	(175,147)
Fair value gains/(losses) recorded in:						
Profit or loss	-	-	-	-	(805)	(805)
Other comprehensive income	1,414	(122)	3,788	-	-	5,080
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(98)
Movement in accrued profit	322	(20)	1,895	-	(65)	2,132
Amortisation adjustments	(135)	(117)	(172)	-	-	(424)
At 31 December 2016	<u>267,547</u>	<u>29,857</u>	<u>701,075</u>	<u>-</u>	<u>32,791</u>	<u>1,023,232</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy

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

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

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

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

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

There are no transfers between Level 1 and 2 during the six months period ended 30 June 2017.

The following table presents the Company's financial assets that are carried at fair value as at 30 June 2017:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>30.6.2017</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	129,381	129,381
- Unquoted Sukuk	-	132,278	132,278
- Investments in investment-linked funds	8,601	-	8,601
	<u>8,601</u>	<u>261,659</u>	<u>270,260</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>30.6.2017</u> (continued)			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,268	12,268
- Unquoted Sukuk	-	27,829	27,829
	-	40,097	40,097
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	151,341	151,341
- Cagamas Sukuk	-	10,201	10,201
- Unquoted Sukuk	-	547,855	547,855
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	56,686	-	56,686
- Unit trust funds	24,624	-	24,624
	81,310	709,397	790,707
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	292,990	292,990
- Cagamas Sukuk	-	10,201	10,201
- Unquoted Sukuk	-	707,962	707,962
<u>FVTPL – designated upon initial recognition</u>			
- Government Investment Issues	-	-	-
- Quoted equity securities	56,686	-	56,686
- Unquoted Sukuk	-	-	-
- Unit trust funds	24,624	-	24,624
	81,310	1,011,153	1,092,463

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31.12.2016</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	127,955	127,955
- Unquoted Sukuk	-	131,554	131,554
- Investments in investment-linked funds	8,038	-	8,038
	<u>8,038</u>	<u>259,509</u>	<u>267,547</u>
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,275	12,275
- Unquoted Sukuk	-	17,582	17,582
	<u>-</u>	<u>29,857</u>	<u>29,857</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	172,234	172,234
- Cagamas Sukuk	-	15,234	15,234
- Unquoted Sukuk	-	513,607	513,607
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	11,868	-	11,868
- Unit trust funds	20,923	-	20,923
	<u>32,791</u>	<u>701,075</u>	<u>733,866</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	312,464	312,464
- Cagamas Sukuk	-	15,234	15,234
- Unquoted Sukuk	-	662,743	662,743
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	11,868	-	11,868
- Unit trust funds	20,923	-	20,923
	<u>32,791</u>	<u>990,441</u>	<u>1,023,232</u>

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14 RETAKAFUL ASSETS	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Retakaful of Takaful contracts (Note 15)			
30 June 2017	6,920	82,981	89,901
Receivable within 12 months	3,391	23,370	26,761
Receivable after 12 months	3,529	59,611	63,140
	6,920	82,981	89,901
31 December 2016	7,140	37,743	44,883
Receivable within 12 months	3,469	12,781	16,250
Receivable after 12 months	3,671	24,962	28,633
	7,140	37,743	44,883

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15 TAKAFUL CONTRACT LIABILITIES

	30.6.2017			31.12.2016		
	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross Retakaful (note 14)	47,303 (6,920)	940,982 (82,981)	979,684 (89,901)	44,186 (7,140)	834,531 (37,743)	870,679 (44,883)
Net	<u>40,383</u>	<u>858,001</u>	<u>889,783</u>	<u>37,046</u>	<u>796,788</u>	<u>825,796</u>
Current	25,014	147,349	172,363	21,834	129,273	151,107
Non-current	15,369	710,652	717,420	15,212	667,515	674,689
	<u>40,383</u>	<u>858,001</u>	<u>889,783</u>	<u>37,046</u>	<u>796,788</u>	<u>825,796</u>

(a) Family Takaful contract liabilities

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

	30.6.2017			31.12.2016		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificate holders' liabilities	854,618	(69,801)	784,817	770,867	(29,208)	741,659
Net asset value attributable to certificate holders	<u>23,625</u>	-	<u>23,625</u>	<u>20,975</u>	-	<u>20,975</u>
Actuarial liabilities	878,243	(69,801)	808,442	791,842	(29,208)	762,634
Claims liabilities	22,813	(13,180)	9,633	17,292	(8,535)	8,757
Unallocated surplus	39,653	-	39,653	26,066	-	26,066
Available-for-sale fair value adjustment						
- gross	297	-	297	(727)	-	(727)
- deferred tax	(24)	-	(24)	58	-	58
- net	<u>273</u>	-	<u>273</u>	<u>(669)</u>	-	<u>(669)</u>
	<u>940,982</u>	<u>(82,981)</u>	<u>858,001</u>	<u>834,531</u>	<u>(37,743)</u>	<u>796,788</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>30.6.2017</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2017	834,531	(37,743)	796,788
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	19,641	(26,577)	(6,936)
Benefits	(59,167)	28,350	(30,817)
Investment returns	18,685	(928)	17,757
Others	(16,401)	141	(16,260)
Experience variance on inforce Takaful certificates	(611)	509	(102)
Reserve on new Takaful certificates	96,834	(3,972)	92,862
Miscellaneous	24,770	(38,116)	(13,346)
Movement in net asset value attributable to certificateholders	2,650	-	2,650
Movement in claims liabilities	5,521	(4,645)	876
Movement in unallocated surplus	13,587	-	13,587
Movement in AFS fair value adjustment	942	-	942
At 30 June 2017	<u>940,982</u>	<u>(82,981)</u>	<u>858,001</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>31.12.2016</u>	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000
At 1 January 2016	668,723	(5,744)	662,979
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	16,159	(37,123)	(20,964)
Benefits	(74,835)	39,859	(34,976)
Investment returns	20,898	(1,305)	19,593
Others	(21,292)	(1,887)	(23,179)
Experience variance on inforce Takaful certificates	(5,603)	(247)	(5,850)
Reserve on new Takaful certificates	221,409	(6,475)	214,934
Miscellaneous	(9,861)	(22,030)	(31,891)
Movement in net asset value attributable to certificate holders	2,452	-	2,452
Movement in claims liabilities	8,020	(2,791)	5,229
Movement in unallocated surplus	4,976	-	4,976
Movement in AFS fair value adjustment	3,485	-	3,485
At 31 December 2016	<u>834,531</u>	<u>(37,743)</u>	<u>796,788</u>

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15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

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

	30.6.2017			31.12.2016		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Provision for claims reported by certificate holders	4,332	(2,039)	2,293	2,901	(1,426)	1,475
Provision for IBNR	17,718	(3,929)	13,789	20,878	(4,679)	16,199
Provision for outstanding claims (i)	22,050	(5,968)	16,082	23,779	(6,105)	17,674
Contribution liabilities (ii)	9,414	(952)	8,462	8,757	(1,035)	7,722
Unallocated surplus	15,876	-	15,876	11,790	-	11,790
Available-for-sale fair value adjustment						
- gross	(48)	-	(48)	(184)	-	(184)
- deferred tax	11	-	11	44	-	44
- net	(37)	-	(37)	(140)	-	(140)
	<u>47,303</u>	<u>(6,920)</u>	<u>40,383</u>	<u>44,186</u>	<u>(7,140)</u>	<u>37,046</u>

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NOTES TO THE FINANCIAL STATEMENTS
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15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

(i) Provision for outstanding claims

	30.6.2017			31.12.2016		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January	23,779	(6,105)	17,674	29,070	(8,842)	20,228
Claims incurred in the current accident year	5,714	(1,680)	4,034	14,978	(4,567)	10,411
Other movements in claims incurred in prior accident years	(4,646)	581	(4,065)	(6,037)	(2,003)	(8,040)
Claims paid during the financial period/ year	(2,797)	1,236	(1,561)	(14,232)	9,307	(4,925)
At 30 June/ 31 December	<u>22,050</u>	<u>(5,968)</u>	<u>16,082</u>	<u>23,779</u>	<u>(6,105)</u>	<u>17,674</u>
 (ii) Contribution liabilities						
At 1 January	8,757	(1,035)	7,722	10,065	(287)	9,778
Contribution written in the financial period/ year	25,404	(2,766)	22,638	64,623	(6,530)	58,093
Contribution earned during the financial period/year	(24,747)	2,849	(21,898)	(65,931)	5,782	(60,149)
At 30 June/ 31 December	<u>9,414</u>	<u>(952)</u>	<u>8,462</u>	<u>8,757</u>	<u>(1,035)</u>	<u>7,722</u>

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15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Takaful contract liabilities at Company level

	<u>Company</u>					
	<u>30.6.2017</u>			<u>31.12.2016</u>		
	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000
Family Takaful fund (note 15(a))	940,982	(82,981)	858,001	834,531	(37,743)	796,788
General Takaful fund (note 15(b))	47,303	(6,920)	40,383	44,186	(7,140)	37,046
	<u>988,285</u>	<u>(89,901)</u>	<u>898,384</u>	<u>878,717</u>	<u>(44,883)</u>	<u>833,834</u>
Elimination of Shareholders' fund investment in investment-linked funds	(8,601)	-	(8,601)	(8,038)	-	(8,038)
Total	<u>979,684</u>	<u>(89,901)</u>	<u>889,783</u>	<u>870,679</u>	<u>(44,883)</u>	<u>825,796</u>

16 CAPITAL COMMITMENTS

	<u>Shareholders' fund/ Company</u>	
	<u>Audited</u>	
	<u>30.6.2017</u> RM'000	<u>31.12.2016</u> RM'000
Approved and contracted for: Property and equipment	358	-
Approved but not contracted for: Property and equipment	232	-
	<u>590</u>	<u>-</u>

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17 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2017, as prescribed under the Risk Based Capital Framework is provided below:

	<u>30.6.2017</u> RM'000	<u>31.12.2016</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	200,000	100,010
Share premium	-	99,990
Retained earnings	133,012	101,526
Eligible contract liabilities	61,585	18,082
	<u>394,597</u>	<u>319,608</u>
<u>Tier 2 Capital</u>		
Eligible reserves	3,288	297
Amounts deducted from capital	(2,068)	(3,296)
Total capital available	<u><u>395,817</u></u>	<u><u>316,609</u></u>