

Company No.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Group		Company	
	Note	30.6.2019	31.12.2018	30.6.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
			Audited		Audited
ASSETS					
Property and equipment		60,084	61,888	60,084	61,888
Intangible assets		4,699	5,030	4,699	5,030
Right-of-use assets		510	-	510	-
Financial assets	12	2,072,394	1,884,666	2,077,816	1,905,193
Loans and receivables		74,857	122,074	69,363	101,472
Reinsurance assets	13	113,681	92,206	113,681	92,206
Insurance receivables		15,100	12,426	15,100	12,426
Other receivables		12,994	15,908	12,994	15,908
Current tax assets		16,447	6,749	16,447	6,749
Cash and bank balances		28,405	21,524	28,399	21,518
TOTAL ASSETS		2,399,171	2,222,471	2,399,093	2,222,390
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital		358,000	358,000	358,000	358,000
Retained earnings		43,542	132,839	43,542	132,839
Reserves		136,969	97,747	136,969	97,747
Total equity		538,511	588,586	538,511	588,586
Insurance contract liabilities	14	1,696,054	1,493,828	1,696,054	1,493,828
Insurance claims liabilities		31,785	28,279	31,785	28,279
Insurance payables		11,575	9,946	11,575	9,946
Lease liabilities		495	-	495	-
Other financial liabilities		16,173	12,760	16,173	12,760
Other payables		54,768	58,862	54,690	58,781
Deferred tax liabilities		49,810	30,210	49,810	30,210
Total liabilities		1,860,660	1,633,885	1,860,582	1,633,804
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		2,399,171	2,222,471	2,399,093	2,222,390

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

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SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	Group		Company	
	6 months	6 month	6 months	6 months
	period ended	period ended	period ended	period ended
Note	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Gross premiums	357,251	287,739	357,251	287,739
Premiums ceded to reinsurers	(32,901)	(33,406)	(32,901)	(33,406)
Net premiums	324,350	254,333	324,350	254,333
Investment income	43,873	41,931	44,954	40,561
Net fair value gains	104,561	-	103,064	-
Other operating income	1,917	1,435	1,917	1,435
Other income	150,351	43,366	149,935	41,996
Gross benefits and claims paid	(128,022)	(142,997)	(128,022)	(142,997)
Claims ceded to reinsurers	25,631	23,612	25,631	23,612
Gross change in contract liabilities	(202,226)	15,062	(202,226)	15,062
Change in contract liabilities ceded to reinsurers	19,060	8,218	19,060	8,218
Net claims	(285,557)	(96,105)	(285,557)	(96,105)
Net fair value losses	-	(28,773)	-	(27,828)
Net realised losses	(4)	-	(4)	-
Commission expenses	(34,853)	(30,262)	(34,853)	(30,262)
Management expenses	(74,475)	(61,161)	(74,059)	(60,736)
Other operating expenses	(314)	(282)	(314)	(282)
Investment expenses	(711)	(994)	(711)	(994)
Finance cost	(13)	-	(13)	-
Other expenses	(110,370)	(121,472)	(109,954)	(120,102)

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	Group		Company	
	6 months	6 month	6 months	6 months
	period ended	period ended	period ended	period ended
Note	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	78,774	80,122	78,774	80,122
Tax expense attributable to policyholders and unitholders	(10,191)	(355)	(10,191)	(355)
Profit before taxation attributable to Shareholders	68,583	79,767	68,583	79,767
Taxation	15			
Tax expense attributable to policyholders and unitholders	(22,522)	(14,758)	(22,522)	(14,758)
	10,191	355	10,191	355
Tax expense attributable to Shareholders	(12,331)	(14,403)	(12,331)	(14,403)
Net profit and total comprehensive income for the financial period	56,252	65,364	56,252	65,364
Basic earnings per share (sen)	23.24	27.01	23.24	27.01

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

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	<u>Share capital</u> RM'000	<u>Reserves</u> ¹ RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000
<u>Group/Company</u>				
At 1 January 2019	358,000	97,747	132,839	588,586
Effects on adoption of MFRS 16 (Note 19)	-	(27)	-	(27)
Dividends	-	-	(106,300)	(106,300)
Total comprehensive income for the financial period	-	39,249	17,003	56,252
At 30 June 2019	<u>358,000</u>	<u>136,969</u>	<u>43,542</u>	<u>538,511</u>
At 1 January 2018	358,000	73,566	111,777	543,343
Dividends	-	-	(85,200)	(85,200)
Total comprehensive income for the financial period	-	59,134	6,230	65,364
At 30 June 2018	<u>358,000</u>	<u>132,700</u>	<u>32,807</u>	<u>523,507</u>

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

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

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	Group		Company	
	6 months period ended	6 month period ended	6 months period ended	6 months period ended
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial period	56,252	65,364	56,252	65,364
Adjustments for:				
Gross change in contract liabilities	202,226	(15,062)	202,226	(15,062)
Change in contract liabilities ceded to reinsurers	(19,060)	(8,218)	(19,060)	(8,218)
Property and equipment - depreciation	4,285	3,919	4,285	3,919
- losses on disposal	4	-	4	-
Amortisation of intangible assets	331	326	331	326
Amortisation of right-of-use assets	236	-	236	-
Net fair value (gains)/losses on investments at fair value through profit or loss	(104,561)	28,773	(103,064)	27,828
Interest income	(40,592)	(37,153)	(31,615)	(28,071)
Dividend income	(3,009)	(4,493)	(13,067)	(12,205)
Rental income	(272)	(285)	(272)	(285)
Finance cost	13	-	13	-
Taxation	22,522	14,758	22,522	14,758
Profit from operations before changes in operating assets and liabilities	118,375	47,929	118,791	48,354
Decrease/(increase) in loans and receivables	47,186	1,292	32,079	(1,462)
Decrease/(increase) in receivables	74	(348)	74	(348)
Increase in right-of-use assets	(146)	-	(146)	-
Increase in insurance claims liabilities	1,091	2,639	1,091	2,639
Increase/(decrease) in payables	2,997	(11,245)	3,000	(6,074)
Purchase of investments	(431,223)	(360,077)	(363,811)	(280,196)
Proceeds from disposal and maturity of investments	348,800	381,853	294,816	300,452
	87,154	62,043	85,894	63,365
Investment income received:				
- Dividend	3,222	4,191	13,280	11,903
- Interest	39,879	37,889	31,081	28,854
- Rental	272	285	272	285
Interest paid	(13)	-	(13)	-
Taxation paid	(12,660)	(15,275)	(12,660)	(15,275)
Net cash generated from operating activities	117,854	89,133	117,854	89,132

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	6 months period ended	6 month period ended	6 months period ended	6 months period ended
	<u>30.6.2019</u>	<u>30.6.2018</u>	<u>30.6.2019</u>	<u>30.6.2018</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(2,485)	(3,947)	(2,485)	(3,947)
Purchase of intangible assets	(2,000)	(2,000)	(2,000)	(2,000)
Net cash used in investing activities	<u>(4,485)</u>	<u>(5,947)</u>	<u>(4,485)</u>	<u>(5,947)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(106,300)	(85,200)	(106,300)	(85,200)
Payment of lease liabilities	(188)	-	(188)	-
Net cash used in financing activities	<u>(106,488)</u>	<u>(85,200)</u>	<u>(106,488)</u>	<u>(85,200)</u>
Net increase/(decrease) in cash and cash equivalents	6,881	(2,014)	6,881	(2,015)
Cash and cash equivalents at beginning of the financial period	<u>21,524</u>	<u>23,830</u>	<u>21,518</u>	<u>23,825</u>
Cash and cash equivalents at end of the financial period	<u><u>28,405</u></u>	<u><u>21,816</u></u>	<u><u>28,399</u></u>	<u><u>21,810</u></u>
Cash and cash equivalents comprise:				
Cash and bank balances	<u><u>28,405</u></u>	<u><u>21,816</u></u>	<u><u>28,399</u></u>	<u><u>21,810</u></u>

The Group and the Company classify 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 treated accordingly under the operating activities.

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

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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 six months period ended 30 June 2019.

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 above mentioned companies are incorporated in Malaysia.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim financial statements of the Group and 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 Group’s and the Company’s audited financial statements for the financial year ended 31 December 2018.

The Group and the Company have 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 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 Group’s and 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

New standards that are effective and have been adopted

The amendments and improvements to published standards and interpretations that are relevant and have been adopted by the Group and the Company for the first time for the financial year beginning on or after 1 January 2019 are as follows:

- (i) MFRS 16 Leases
- (ii) New IC Interpretation 23 Uncertainty over Income Tax Treatments

The adoption of these amendments did not have any material impact to the Group's and the Company's financial statements other than as disclosed in Note 19 of the effects on adoption of MFRS 16 Leases.

New standard that is effective and has been deferred for adoption

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

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

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

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

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

The Group's and the Company's business activity are predominately insurance and hence, qualify for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021, which is in line with the adoption of MFRS 17 Insurance Contracts. The additional disclosures are as set out in Note 20.

SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for annual periods after 1 January 2019. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except for the following set out below:

- 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

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:

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

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

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

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- The Conceptual Framework for Financial Reporting (“Framework”) effective 1 January 2020

The Framework was revised with the primary purpose to assist the IASB to develop IFRSs that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

Key changes to the Framework are as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Amendments to References to the Conceptual Framework in MFRS Standards

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

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

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

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

The amendments provide guidance to determine whether an input and a substantive process are present, including situations where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as the 'concentration test' that, if met, eliminates the need for further assessments. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

The amendments also:

- clarify that an entity assesses materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transactions are scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information are hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' who must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

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

3 SEASONALITY OF OPERATIONS

The business operations of the Group and the Company were not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2019.

4 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the prior financial year that have a material effect for the six months period ended 30 June 2019.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

5 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 2019.

6 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 2019.

7 DIVIDENDS

Dividends paid by the Company during the six months period ended 30 June 2019 relate to a:

- a) Single-Tier Final Dividend in respect of Perpetual Non-Cumulative Preference Shares of 8 sen per share for the financial year ended 31 December 2018 which was paid on 12 June 2019 amounting to RM8,000,000;
- b) Single-Tier Final Dividend in respect of Ordinary Shares of 40.6198 sen per share for the financial year ended 31 December 2018 which was paid on 12 June 2019 amounting to RM 98,299,916.

8 CONTINGENT LIABILITIES

There were no material contingent liabilities that have arisen during the six months period ended 30 June 2019.

9 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 2019.

10 SUBSEQUENT EVENTS

There were no material events after the interim period that are required to be reflected in the financial statements for the six months period ended 30 June 2019.

11 EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY

There were no changes in the composition of the Group and the Company during the six months period ended 30 June 2019.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

12 FINANCIAL ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>30.6.2019</u>	<u>31.12.2018</u>	<u>30.6.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	458,291	446,528	426,659	421,043
Cagamas bonds	6,097	5,905	6,097	5,905
Unquoted corporate debt securities	1,253,901	1,139,057	904,130	818,212
Quoted equity securities	138,075	119,468	138,075	119,468
Unit trust funds	215,856	173,534	215,856	173,534
Controlled structured entities	-	-	386,825	366,857
Unquoted equity securities	174	174	174	174
	<u>2,072,394</u>	<u>1,884,666</u>	<u>2,077,816</u>	<u>1,905,193</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>30.6.2019</u>	<u>31.12.2018</u>	<u>30.6.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000	RM'000	RM'000
Fair value through profit or loss ("FVTPL")				
- designated upon initial recognition	<u>2,072,394</u>	<u>1,884,666</u>	<u>2,077,816</u>	<u>1,905,193</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>30.6.2019</u>	<u>31.12.2018</u>	<u>30.6.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000	RM'000	RM'000
FVTPL - designated upon initial recognition	<u>1,665,750</u>	<u>1,515,081</u>	<u>1,304,433</u>	<u>1,192,643</u>

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12 FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(a) FVTPL - designated upon initial recognition				
Malaysian Government Securities	458,291	446,528	426,659	421,043
Cagamas bonds	6,097	5,905	6,097	5,905
Unquoted corporate debt securities	1,253,901	1,139,057	904,130	818,212
Quoted equity securities	138,075	119,468	138,075	119,468
Unit trust funds	215,856	173,534	215,856	173,534
Controlled structured entities	-	-	386,825	366,857
Unquoted equity securities	174	174	174	174
	2,072,394	1,884,666	2,077,816	1,905,193
(b) Carrying values of financial assets				
<u>Group</u>				<u>FVTPL/Total</u> RM'000
At 1 January 2019				1,884,666
Purchases				431,223
Maturities				(30,044)
Disposals				(315,326)
Fair value gains recorded in:				
Profit or loss				101,131
Movement in accrued interest				744
At 30 June 2019				2,072,394
At 1 January 2018				1,812,956
Purchases				802,700
Maturities				(140,895)
Disposals				(555,434)
Fair value gains recorded in:				
Profit or loss				(34,933)
Movement in accrued interest				272
At 31 December 2018				1,884,666

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12 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial assets (continued)

<u>Company</u>	<u>FVTPL/Total</u> RM'000
At 1 January 2019	1,905,193
Purchases	363,811
Maturities	(20,024)
Disposals	(271,528)
Fair value gains recorded in:	
Profit or loss	99,800
Movement in accrued interest	564
At 30 June 2019	<u>2,077,816</u>
At 1 January 2018	1,815,245
Purchases	651,803
Maturities	(122,259)
Disposals	(406,182)
Fair value gains recorded in:	
Profit or loss	(34,320)
Movement in accrued interest	906
At 31 December 2018	<u>1,905,193</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

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

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

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

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

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 30 June 2019:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>FVTPL</u>				
<u>30.6.2019</u>				
Malaysian Government				
Securities	-	458,291	-	458,291
Cagamas bonds	-	6,097	-	6,097
Unquoted corporate debt				
Securities	-	1,253,901	-	1,253,901
Quoted equity securities	138,075	-	-	138,075
Unit trust funds	215,856	-	-	215,856
Unquoted equity securities	-	-	174	174
	<u>353,931</u>	<u>1,718,289</u>	<u>174</u>	<u>2,072,394</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>FVTPL</u>				
<u>31.12.2018</u>				
Malaysian Government Securities	-	446,528	-	446,528
Cagamas bonds	-	5,905	-	5,905
Unquoted corporate debt securities	-	1,139,057	-	1,139,057
Quoted equity securities	119,468	-	-	119,468
Unit trust funds	173,534	-	-	173,534
Unquoted equity securities	-	-	174	174
	<u>293,002</u>	<u>1,591,490</u>	<u>174</u>	<u>1,884,666</u>
<u>Company</u>				
<u>FVTPL</u>				
<u>30.6.2019</u>				
Malaysian Government Securities	-	426,659	-	426,659
Cagamas bonds	-	6,097	-	6,097
Unquoted corporate debt Securities	-	904,130	-	904,130
Quoted equity securities	138,075	-	-	138,075
Unit trust funds	215,856	-	-	215,856
Controlled structured entities	386,825	-	-	386,825
Unquoted equity securities	-	-	174	174
	<u>740,756</u>	<u>1,336,886</u>	<u>174</u>	<u>2,077,816</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Company</u>				
<u>FVTPL</u>				
<u>31.12.2018</u>				
Malaysian Government Securities	-	421,043	-	421,043
Cagamas bonds	-	5,905	-	5,905
Unquoted corporate debt securities	-	818,212	-	818,212
Quoted equity securities	119,468	-	-	119,468
Unit trust funds	173,534	-	-	173,534
Controlled structured entities	366,857	-	-	366,857
Unquoted equity securities	-	-	174	174
	<u>659,859</u>	<u>1,245,160</u>	<u>174</u>	<u>1,905,193</u>

There are no transfers between Level 1 and 2 of the fair value hierarchy during the six months period ended 30 June 2019.

13 REINSURANCE ASSETS

	<u>Group/Company</u>	
	<u>30.6.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	19,422	17,007
- insurance contract liabilities (note 14)	94,259	75,199
	<u>113,681</u>	<u>92,206</u>
Receivable within 12 months	30,909	22,269
Receivable after 12 months	82,772	69,937
	<u>113,681</u>	<u>92,206</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES

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

	30.6.2019			Audited 31.12.2018		
	Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000
<u>Group/Company</u>						
Actuarial liabilities	1,428,083	(94,259)	1,333,824	1,271,899	(75,199)	1,196,700
Net asset value attributable to unitholders	267,971	-	267,971	221,929	-	221,929
	<u>1,696,054</u>	<u>(94,259)</u>	<u>1,601,795</u>	<u>1,493,828</u>	<u>(75,199)</u>	<u>1,418,629</u>
Current	247,992	(11,487)	236,505	222,759	(5,262)	217,497
Non-current	1,448,062	(82,772)	1,365,290	1,271,069	(69,937)	1,201,132
	<u>1,696,054</u>	<u>(94,259)</u>	<u>1,601,795</u>	<u>1,493,828</u>	<u>(75,199)</u>	<u>1,418,629</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2019	1,493,828	(75,199)	1,418,629
<u>Projected changes of inforce policies</u>			
Premium income	149,158	(30,178)	118,980
Expense and commission	(23,519)	5	(23,514)
Benefits	(106,559)	26,320	(80,239)
Interest on cashflows	21,679	(1,266)	20,413
Others	(23,575)	8,991	(14,584)
Experience variance on inforce policies	5,535	(2,535)	3,000
Reserve for new policies	59,795	(10,719)	49,076
<u>Assumption changes</u>			
Discount rate	69,139	(2,374)	66,765
Mortality	8,061	(6,831)	1,230
Lapse rates	-	-	-
Policy expenses	-	-	-
Others	(14)	-	(14)
Expense reserve	(1,593)	-	(1,593)
Other changes	(1,923)	(473)	(2,396)
Movement in unallocated surplus	-	-	-
Movement in net asset value attributable to unitholders	46,042	-	46,042
At 30 June 2019	<u>1,696,054</u>	<u>(94,259)</u>	<u>1,601,795</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2018	1,414,212	(57,730)	1,356,482
<u>Projected changes of inforce policies</u>			
Premium income	254,429	(59,475)	194,954
Expense and commission	(43,023)	11	(43,012)
Benefits	(214,567)	60,916	(153,651)
Interest on cashflows	33,924	(1,566)	32,358
Others	(20,233)	7,037	(13,196)
Experience variance on inforce policies	16,592	(5,300)	11,292
Reserve for new policies	69,686	(20,037)	49,649
<u>Assumption changes</u>			
Discount rate	(12,612)	535	(12,077)
Mortality	(1,282)	415	(867)
Lapse rates	333	(5)	328
Policy expenses	(3,563)	-	(3,563)
Others	157	-	157
Expense reserve	(4,126)	-	(4,126)
Other changes	4,006	-	4,006
Movement in unallocated surplus	(1,472)	-	(1,472)
Movement in net asset value attributable to unitholders	1,367	-	1,367
At 31 December 2018	<u>1,493,828</u>	<u>(75,199)</u>	<u>1,418,629</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

15 TAXATION

	<u>Group/Company</u>	
	<u>6 months period ended 30.6.2019</u>	<u>6 months period ended 30.6.2018</u>
	RM'000	RM'000
Tax expense on the profit for the financial period:		
Income tax:		
Current tax	2,915	3,071
Deferred tax	19,607	11,687
	<u>22,522</u>	<u>14,758</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>6 months period ended 30.6.2019</u>	<u>6 months period ended 30.6.2018</u>	<u>6 months period ended 30.6.2019</u>	<u>6 months period ended 30.6.2018</u>
	RM'000	RM'000	RM'000	RM'000
Profit before taxation attributable to Shareholders	<u>68,583</u>	<u>79,767</u>	<u>68,583</u>	<u>79,767</u>
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	16,460	19,144	16,460	19,144
Income not subject to tax	(2,442)	(1,850)	(2,342)	(1,850)
Expenses not deductible for tax purposes	275	66	175	66
Section 110B tax credit set off	(1,962)	(2,957)	(1,962)	(2,957)
Tax on investment income attributable to policyholders and unitholders	<u>10,191</u>	<u>355</u>	<u>10,191</u>	<u>355</u>
Tax expense for the financial period	<u>22,522</u>	<u>14,758</u>	<u>22,522</u>	<u>14,758</u>

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16 SHORT TERM OPERATING LEASE COMMITMENTS

The future short term operating lease commitments are as follows:

	<u>Group/Company</u> Audited	
	<u>30.6.2019</u> RM'000	<u>31.12.2018</u> RM'000
Not later than 1 year	15	168

17 CAPITAL COMMITMENTS

	<u>Group/Company</u> Audited	
	<u>30.6.2019</u> RM'000	<u>31.12.2018</u> RM'000
Approved and contracted for: Property and equipment	2,446	3,742
Approved but not contracted for: Property and equipment	3,886	4,833
	<u>6,332</u>	<u>8,575</u>

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18 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2019, as prescribed under the RBC Framework is provided below:

	<u>Group/Company</u>	
	<u>30.06.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	358,000	358,000
Retained earnings	43,542	132,839
Eligible contract liabilities	171,246	122,185
	<hr/>	<hr/>
	572,788	613,024
Amounts deducted from capital	(4,699)	(5,030)
	<hr/>	<hr/>
Total capital available	<u>568,089</u>	<u>607,994</u>

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NOTES TO THE FINANCIAL STATEMENTS
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19 EFFECTS ON ADOPTION OF MFRS 16 LEASES

The Group and the Company have adopted MFRS 16 Leases effective 1 January 2019. MFRS 16 replaces 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 asset representing its right to use the underlying asset and a lease liability representing its obligation to make future lease payments.

Effective 1 January 2019, a lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group and the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group and the Company elected to use the exemptions under MFRS 16 on lease contracts with lease terms of 12 months or less, and lease contracts for which the lease assets are of low value.

Impacts of adoption of MFRS 16

The Group and the Company applied MFRS 16 using the modified retrospective approach and measured the right-of-use assets retrospectively using the discount rate at the date of transition, which equals to the lease liabilities as at 1 January 2019 with no restatement of comparative numbers. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019.

The following table set out the financial impact arising from the adoption of MFRS 16 on 1 January 2019:

<u>Group/Company</u>	<u>Right-of- use assets</u> RM'000	<u>Other receivables</u> RM'000	<u>Lease liabilities</u> RM'000	<u>Deferred tax liabilities</u> RM'000	<u>Reserves</u> RM'000
Closing balance as at 31 December 2018	-	15,908	-	(30,210)	(97,747)
Effects on adoption of MFRS 16:					
- Recognition of right-of-use assets	600	-	-	-	(600)
- Recognition of lease liabilities	-	-	(537)	-	537
- Other receivables	-	(97)	-	-	97
- Deferred tax	-	-	-	7	(7)
	<u>600</u>	<u>(97)</u>	<u>(537)</u>	<u>7</u>	<u>27</u>
Opening balance as at 1 January 2019	<u>600</u>	<u>15,811</u>	<u>(537)</u>	<u>(30,203)</u>	<u>(97,720)</u>

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19 EFFECTS ON ADOPTION OF MFRS 16 LEASES (CONTINUED)

The reconciliation between the operating lease commitments disclosed applying MFRS 117 as at 31 Dec 2018 to the lease liabilities recognised as at 1 January 2019 is as follows:

<u>Group/Company</u>	<u>2019</u> RM'000
Operating lease commitments disclosed as at 31 December 2018	241
Present value of operating lease commitment (discounted using borrowing rate)	229
Leased assets not disclosed as operating lease commitment	348
Recognition exemption under short term lease assets and low value assets	(40)
	<hr/>
Lease liabilities recognised as at 1 January 2019	537
	<hr/> <hr/>

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20 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flow characteristics and credit exposure of the financial assets. The following table presents the Group's and the Company's financial assets by their contractual cash flow characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI") or other than SPPI:

<u>Fair value as at 30 June 2019</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial assets</u> RM'000	<u>Total*</u> RM'000
<u>Group</u>			
Financial assets	-	2,092,239	2,092,239
Malaysian Government Securities	-	458,291	458,291
Cagamas bonds	-	6,097	6,097
Unquoted corporate debt securities	-	1,248,566	1,248,566
Unquoted corporate securities (perpetual instruments)	-	5,335	5,335
Quoted equity securities	-	138,075	138,075
Unquoted equity securities	-	20,019	20,019
Unit trust funds	-	215,856	215,856
Loans and receivables – Fixed and call deposits	60,803	-	60,803
Other receivables	12,994	-	12,994
Cash and bank balances	28,405	-	28,405
	<u>102,202</u>	<u>2,092,239</u>	<u>2,194,441</u>
<u>Company</u>			
Financial assets	-	2,097,661	2,097,661
Malaysian Government Securities	-	426,659	426,659
Cagamas bonds	-	6,097	6,097
Unquoted corporate debt securities	-	904,130	904,130
Quoted equity securities	-	138,075	138,075
Unquoted equity securities	-	20,019	20,019
Unit trust funds	-	215,856	215,856
Controlled structured entities	-	386,825	386,825
Loans and receivables – Fixed and call deposits	55,309	-	55,309
Other receivables	12,994	-	12,994
Cash and bank balances	28,399	-	28,399
	<u>96,702</u>	<u>2,097,661</u>	<u>2,194,363</u>

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

Audited Fair value as at 31 December 2018	Financial assets with SPPI cash flows RM'000	All other financial asset RM'000	Total* RM'000
<u>Group</u>			
Financial assets	-	1,902,712	1,902,712
Malaysian Government Securities	-	446,528	446,528
Cagamas bonds	-	5,905	5,905
Unquoted corporate debt securities	-	1,133,800	1,133,800
Unquoted corporate securities (perpetual instruments)	-	5,257	5,257
Quoted equity securities	-	119,468	119,468
Unquoted equity securities	-	18,220	18,220
Unit trust funds	-	173,534	173,534
Loans and receivables – Fixed and call deposits	109,922	-	109,922
Other receivables	15,908	-	15,908
Cash and bank balances	21,524	-	21,524
	<u>147,354</u>	<u>1,902,712</u>	<u>2,050,066</u>
<u>Company</u>			
Financial assets	-	1,923,239	1,923,239
Malaysian Government Securities	-	421,043	421,043
Cagamas bonds	-	5,905	5,905
Unquoted corporate debt securities	-	818,212	818,212
Quoted equity securities	-	119,468	119,468
Unquoted equity securities	-	18,220	18,220
Unit trust funds	-	173,534	173,534
Controlled structured entities	-	366,857	366,857
Loans and receivables – Fixed and call deposits	89,320	-	89,320
Other receivables	15,908	-	15,908
Cash and bank balances	21,518	-	21,518
	<u>126,746</u>	<u>1,923,239</u>	<u>2,049,985</u>

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans have been excluded from the above assessment as these will be under the scope of MFRS 17 Insurance Contracts. Other than the financial assets listed above and assets that are within the scope of MFRS 17 Insurance Contracts, all other assets in the statement of financial position are non-financial assets.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

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

<u>30.06.2019</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial assets</u> RM'000	<u>Total</u> RM'000
<u>Changes in fair value during the period</u>			
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	26,375	26,375
Cagamas bonds	-	195	195
Unquoted corporate debt securities	-	47,344	47,344
Unquoted corporate debt securities (perpetual instruments)	-	79	79
Quoted equity securities	-	5,433	5,433
Unquoted equity securities	-	1,799	1,799
Unit trust funds	-	21,705	21,705
	<u>-</u>	<u>102,930</u>	<u>102,930</u>
	<u>-</u>	<u>102,930</u>	<u>102,930</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	25,683	25,683
Cagamas bonds	-	195	195
Unquoted corporate debt securities	-	38,374	38,374
Quoted equity securities	-	5,433	5,433
Unquoted equity securities	-	1,799	1,799
Unit trust funds	-	21,705	21,705
Controlled structured entities	-	8,410	8,410
	<u>-</u>	<u>101,599</u>	<u>101,599</u>
	<u>-</u>	<u>101,599</u>	<u>101,599</u>

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

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

<u>30.06.2018</u>	<u>Financial assets with SPPI cash flows RM'000</u>	<u>All other financial assets RM'000</u>	<u>Total RM'000</u>
<u>Changes in fair value during the period</u>			
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	(6,702)	(6,702)
Cagamas bonds	-	(224)	(224)
Unquoted corporate debt securities	-	(5,159)	(5,159)
Unquoted corporate debt securities (perpetual instruments)	-	(43)	(43)
Quoted equity securities	-	(14,612)	(14,612)
Unquoted equity securities	-	-	-
Unit trust funds	-	(9,804)	(9,804)
	<u>-</u>	<u>(36,544)</u>	<u>(36,544)</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	(6,208)	(6,208)
Cagamas bonds	-	(224)	(224)
Unquoted corporate debt securities	-	(3,679)	(3,679)
Quoted equity securities	-	(14,612)	(14,612)
Unquoted equity securities	-	-	-
Unit trust funds	-	(9,804)	(28,585)
Controlled structured entities	-	(1,171)	(1,171)
	<u>-</u>	<u>(35,698)</u>	<u>(35,698)</u>

SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

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

Financial assets with SPPI cash flows*

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

	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>Non-rated</u> RM'000	<u>Investment- linked funds</u> RM'000	<u>Total</u> RM'000
<u>30.06.2019</u>					
<u>Group</u>					
Loans and receivables – Fixed and Call deposits	32,798	20,173	-	7,832	60,803
Other receivables	-	-	11,959	1,035	12,994
Cash and bank balances	27,570	391	277	167	28,405
	<u>60,368</u>	<u>20,564</u>	<u>12,236</u>	<u>9,034</u>	<u>102,202</u>
<u>Company</u>					
Loans and receivables – Fixed and Call deposits	27,304	20,173	-	7,832	55,309
Other receivables	-	-	11,959	1,035	12,994
Cash and bank balances	27,564	391	277	167	28,399
	<u>54,868</u>	<u>20,564</u>	<u>12,236</u>	<u>9,034</u>	<u>96,702</u>
<u>Audited</u> <u>31.12.2018</u>					
<u>Group</u>					
Loans and receivables – Fixed and Call deposits	66,671	28,676	-	14,575	109,922
Other receivables	-	-	14,341	1,567	15,908
Cash and bank balances	20,943	310	149	122	21,524
	<u>87,614</u>	<u>28,986</u>	<u>14,490</u>	<u>16,264</u>	<u>147,354</u>
<u>Company</u>					
Loans and receivables – Fixed and Call deposits	46,069	28,676	-	14,575	89,320
Other receivables	-	-	14,341	1,567	15,908
Cash and bank balances	20,937	310	149	122	21,518
	<u>67,006</u>	<u>28,986</u>	<u>14,490</u>	<u>16,264</u>	<u>126,746</u>

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

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 **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 30 June 2019

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>30.06.2019</u>	<u>31.12.2018</u>	<u>30.06.2019</u>	<u>31.12.2018</u>	<u>30.06.2019</u>	<u>31.12.2018</u>	<u>30.06.2019</u>	<u>31.12.2018</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
<u>Assets</u>								
Property and equipment	-	-	60,084	61,888	-	-	60,084	61,888
Intangible assets	-	-	4,699	5,030	-	-	4,699	5,030
Right-of-use assets	-	-	510	-	-	-	510	-
Financial assets	422,203	385,490	1,690,817	1,538,161	(40,626)	(38,985)	2,072,394	1,884,666
Loans and receivables	6,508	29,967	68,349	92,107	-	-	74,857	122,074
Reinsurance assets	-	-	113,681	92,206	-	-	113,681	92,206
Insurance receivables	-	-	15,100	12,426	-	-	15,100	12,426
Other receivables	151,621	222,454	13,466	15,560	(152,093)	(222,106)	12,994	15,908
Current tax assets	646	(19,354)	15,801	26,103	-	-	16,447	6,749
Cash and bank balances	17	16	28,388	21,508	-	-	28,405	21,524
Total assets	580,995	618,573	2,010,895	1,864,989	(192,719)	(261,091)	2,399,171	2,222,471

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of financial position by Funds as at 30 June 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	Audited		Audited		Audited		Audited	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	43,542	132,839	-	-	-	-	43,542	132,839
Reserves	136,969	97,747	-	-	-	-	136,969	97,747
Total equity	538,511	588,586	-	-	-	-	538,511	588,586
<u>Liabilities</u>								
Insurance contract liabilities	-	-	1,736,680	1,532,813	(40,626)	(38,985)	1,696,054	1,493,828
Insurance claims liabilities	-	-	31,785	28,279	-	-	31,785	28,279
Insurance payables	-	-	11,575	9,946	-	-	11,575	9,946
Lease liabilities	-	-	495	-	-	-	495	-
Other financial liabilities	-	-	16,173	12,760	-	-	16,173	12,760
Other payables	888	680	205,973	280,288	(152,093)	(222,106)	54,768	58,862
Deferred tax liabilities	41,596	29,307	8,214	903	-	-	49,810	30,210
Total liabilities	42,484	29,987	2,010,895	1,864,989	(192,719)	(261,091)	1,860,660	1,633,885
Total equity, policyholders' funds and liabilities	580,995	618,573	2,010,895	1,864,989	(192,719)	(261,091)	2,399,171	2,222,471

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of financial position by Funds as at 30 June 2019 (continued)

<u>Company</u>	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>Audited</u>		<u>Audited</u>		<u>Audited</u>		<u>Audited</u>	
	<u>30.06.2019</u>	<u>31.12.2018</u>	<u>30.06.2019</u>	<u>31.12.2018</u>	<u>30.06.2019</u>	<u>31.12.2018</u>	<u>30.06.2019</u>	<u>31.12.2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Assets</u>								
Property and equipment	-	-	60,084	61,888	-	-	60,084	61,888
Intangible assets	-	-	4,699	5,030	-	-	4,699	5,030
Right-of-use assets	-	-	510	-	-	-	510	-
Financial assets	427,625	406,017	1,690,817	1,538,161	(40,626)	(38,985)	2,077,816	1,905,193
Loans and receivables	1,014	9,365	68,349	92,107	-	-	69,363	101,472
Reinsurance assets	-	-	113,681	92,206	-	-	113,681	92,206
Insurance receivables	-	-	15,100	12,426	-	-	15,100	12,426
Other receivables	151,621	222,454	13,466	15,560	(152,093)	(222,106)	12,994	15,908
Current tax assets	646	(19,354)	15,801	26,103	-	-	16,447	6,749
Cash and bank balances	11	10	28,388	21,508	-	-	28,399	21,518
Total assets	<u>580,917</u>	<u>618,492</u>	<u>2,010,895</u>	<u>1,864,989</u>	<u>(192,719)</u>	<u>(261,091)</u>	<u>2,399,093</u>	<u>2,222,390</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of financial position by Funds as at 30 June 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	Audited		Audited		Audited		Audited	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	43,542	132,839	-	-	-	-	43,542	132,839
Reserves	136,969	97,747	-	-	-	-	136,969	97,747
Total equity	538,511	588,586	-	-	-	-	538,511	588,586
<u>Liabilities</u>								
Insurance contract liabilities	-	-	1,736,680	1,532,813	(40,626)	(38,985)	1,696,054	1,493,828
Insurance claims liabilities	-	-	31,785	28,279	-	-	31,785	28,279
Insurance payables	-	-	11,575	9,946	-	-	11,575	9,946
Lease liabilities	-	-	495	-	-	-	495	-
Other financial liabilities	-	-	16,173	12,760	-	-	16,173	12,760
Other payables	810	599	205,973	280,288	(152,093)	(222,106)	54,690	58,781
Deferred tax liabilities	41,596	29,307	8,214	903	-	-	49,810	30,210
Total liabilities	42,406	29,906	2,010,895	1,864,989	(192,719)	(261,091)	1,860,582	1,633,804
Total equity, policyholders' funds and liabilities	580,917	618,492	2,010,895	1,864,989	(192,719)	(261,091)	2,399,093	2,222,390

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2019

	Shareholders' Fund		Life Fund		Elimination		Total	
	6 months period ended 30.6.2019	6 months period ended 30.6.2018	6 months period ended 30.6.2019	6 months period ended 30.6.2018	6 months period ended 30.6.2019	6 months period ended 30.6.2018	6 months period ended 30.6.2019	6 months period ended 30.6.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
Gross premiums	-	-	357,251	287,739	-	-	357,251	287,739
Premiums ceded to reinsurers	-	-	(32,901)	(33,406)	-	-	(32,901)	(33,406)
Net premiums	-	-	324,350	254,333	-	-	324,350	254,333
Investment income	9,120	9,174	34,753	32,757	-	-	43,873	41,931
Net fair value gains	11,548	-	94,654	-	(1,641)	-	104,561	-
Other operating income	-	-	1,917	1,435	-	-	1,917	1,435
Other income	20,668	9,174	131,324	34,192	(1,641)	-	150,351	43,366
Gross benefits and claims paid	-	-	(128,022)	(142,997)	-	-	(128,022)	(142,997)
Claims ceded to reinsurers	-	-	25,631	23,612	-	-	25,631	23,612
Gross change in contract liabilities	-	-	(203,867)	15,562	1,641	-	(202,226)	15,062
Change in contract liabilities ceded to reinsurers	-	-	19,060	8,218	-	-	19,060	8,218
Net claims	-	-	(287,198)	(95,605)	1,641	-	(285,557)	(96,105)

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	6 months period ended	6 months period ended	6 months period ended	6 months period ended	6 months period ended	6 months period ended	6 months period ended	6 months period ended
	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
Net fair value losses	-	(2,616)	-	(26,657)	-	500	-	(28,773)
Net realised losses	-	-	(4)	-	-	-	(4)	-
Commission expenses	-	-	(34,853)	(30,262)	-	-	(34,853)	(30,262)
Management expenses	(847)	(425)	(73,628)	(60,736)	-	-	(74,475)	(61,161)
Other operating expenses	(299)	(282)	(15)	-	-	-	(314)	(282)
Investment expenses	-	-	(711)	(994)	-	-	(711)	(994)
Finance cost	-	-	(13)	-	-	-	(13)	-
Other expenses	(1,146)	(3,323)	(109,224)	(118,649)	-	500	(110,370)	(121,472)
Profit before taxation	19,522	5,851	59,252	74,271	-	-	78,774	80,122
Tax expense attributable to policyholders and unitholders	-	-	(10,191)	(355)	-	-	(10,191)	(355)
Transfer from life fund	49,061	73,916	(49,061)	(73,916)	-	-	-	-
Profit before taxation attributable to Shareholders	68,583	79,767	-	-	-	-	68,583	79,767

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	6 months period ended 30.6.2019 RM'000	6 months period ended 30.6.2018 RM'000	6 months period ended 30.6.2019 RM'000	6 months period ended 30.6.2018 RM'000	6 months period ended 30.6.2019 RM'000	6 months period ended 30.6.2018 RM'000	6 months period ended 30.6.2019 RM'000	6 months period ended 30.6.2018 RM'000
<u>Group</u>								
Profit before taxation attributable to Shareholders	68,583	79,767	-	-	-	-	68,583	79,767
Taxation *	(12,331)	(14,403)	(10,191)	(355)	-	-	(22,522)	(14,758)
Tax expense attributable to policyholders and unitholders	-	-	10,191	355	-	-	10,191	355
Tax expense attributable to Shareholders	(12,331)	(14,403)	-	-	-	-	(12,331)	(14,403)
Net profit for the financial period	56,252	65,364	-	-	-	-	56,252	65,364

* The taxation of Shareholders' Fund is on the profit before taxation whereas taxation of Life Fund is on the investment income.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2019 (continued)

Company	Shareholders' Fund		Life Fund		Elimination		Total	
	6 months period ended 30.6.2019	6 months period ended 30.6.2018	6 months period ended 30.6.2019	6 months period ended 30.6.2018	6 months period ended 30.6.2019	6 months period ended 30.6.2018	6 months period ended 30.6.2019	6 months period ended 30.6.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross premiums	-	-	357,251	287,739	-	-	357,251	287,739
Premiums ceded to reinsurers	-	-	(32,901)	(33,406)	-	-	(32,901)	(33,406)
Net premiums	-	-	324,350	254,333	-	-	324,350	254,333
Investment income	10,201	7,804	34,753	32,757	-	-	44,954	40,561
Net fair value gains	10,051	-	94,654	-	(1,641)	-	103,064	-
Other operating income	-	-	1,917	1,435	-	-	1,917	1,435
Other income	20,252	7,804	131,324	34,192	(1,641)	-	149,935	41,996
Gross benefits and claims paid	-	-	(128,022)	(142,997)	-	-	(128,022)	(142,997)
Claims ceded to reinsurers	-	-	25,631	23,612	-	-	25,631	23,612
Gross change in contract liabilities	-	-	(203,867)	15,562	1,641	(500)	(202,226)	15,062
Change in contract liabilities ceded to reinsurers	-	-	19,060	8,218	-	-	19,060	8,218
Net claims	-	-	(287,198)	(95,605)	1,641	(500)	(285,557)	(96,105)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months
	period ended	period ended	period ended	period ended	period ended	period ended	period ended	period ended
	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Net fair value losses	-	(1,671)	-	(26,657)	-	500	-	(27,828)
Net realised losses	-	-	(4)	-	-	-	(4)	-
Commission expenses	-	-	(34,853)	(30,262)	-	-	(34,853)	(30,262)
Management expenses	(431)	-	(73,628)	(60,736)	-	-	(74,059)	(60,736)
Other operating expenses	(299)	(282)	(15)	-	-	-	(314)	(282)
Investment expenses	-	-	(711)	(994)	-	-	(711)	(994)
Finance cost	-	-	(13)	-	-	-	(13)	-
Other expenses	(730)	(1,953)	(109,224)	(118,649)	-	500	(109,954)	(120,102)
Profit before taxation	19,522	5,851	59,252	74,271	-	-	78,774	80,122
Tax expense attributable to policyholders and unitholders	-	-	(10,191)	(355)	-	-	(10,191)	(355)
Transfer from life fund	49,061	73,916	(49,061)	(73,916)	-	-	-	-
Profit before taxation attributable to Shareholders	68,583	79,767	-	-	-	-	68,583	79,767

Company No.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

21 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2019 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months
	period ended	period ended	period ended	period ended	period ended	period ended	period ended	period ended
	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Profit before taxation attributable to Shareholders	68,583	79,767	-	-	-	-	68,583	79,767
Taxation *	(12,331)	(14,403)	(10,191)	(355)	-	-	(22,522)	(14,758)
Tax expense attributable to policyholders and unitholders	-	-	10,191	355	-	-	10,191	355
Tax expense attributable to Shareholders	(12,331)	(14,403)	-	-	-	-	(12,331)	(14,403)
Net profit for the financial period	56,252	65,364	-	-	-	-	56,252	65,364

* The taxation of Shareholders' Fund is on the profit before taxation whereas taxation of Life Fund is on the investment income.