Company No.	
197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2016

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Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

CONTENTS PAGE

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	88,276

DIVIDENDS

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

In respect of the financial year ended 31 December 2015:

	RM'000
Dividend paid on 20 June 2016:	
- Single-Tier Final Dividend in respect of the Perpetual Non-Cumulative Preference Shares of 8 sen per share	8,000
- Single-Tier Final Dividend in respect of the Ordinary Shares of 33.88 sen per share	82,000
	90,000

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

RESERVES AND PROVISIONS

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

PROVISION FOR INSURANCE LIABILITIES

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

SHARE CAPITAL

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

	Attendance
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	6/6
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	6/6
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	5/6
Encik Renzo Christopher Viegas (Non-Independent Non-Executive Director)	6/6
Dato' Mohd Shukri Bin Hussin (Non-Independent Non-Executive Director)	6/6
Encik Ahmad Farouk Bin Mohamed (Non-Independent Non-Executive Director)	6/6
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz (Non-Independent Non-Executive Director)	5/6
Encik Ooi Say Teng (Chief Executive Officer / Executive Director)	6/6
Encik Roger David Steel (Executive Director) (1)	6/6

(1) Encik Roger David Steel was a Non-Independent Non-Executive Director and was reclassified as an Executive Director on 8 November 2016.

In accordance with Article 96 of the Company's Articles of Association, Encik Jose Isidro Navato Camacho, Encik Roger David Steel and Dato' Mohd Shukri Bin Hussin shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements and adopts management practices that are consistent with the principles prescribed under the Financial Services Act, 2013 ("FSA") and Bank Negara Malaysia ("BNM") Guidelines in particular BNM/RH/GL 018-5 on Fit and Proper Criteria and BNM/RH/PD_029-9 on Corporate Governance, supersedes BNM/RH/GL/003-1 on Minimum Standards for Prudential Management of Insurers (Consolidated) and BNM/RH/GL/003-2 on the Prudential Framework of Corporate Governance for Insurers.

Board of Directors ("the Board")

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

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

Board

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

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

CORPORATE GOVERNANCE (CONTINUED)

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

Board (continued)

(iii) Establishes corporate governance practices and policies; and

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

Senior Management

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

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

(iii) Oversees succession planning for senior management positions;

(iv) Approves compensation of senior management;

(v) Advises the Chief Executive Officer; and

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

Ethics and Integrity

(i) Sets an ethical tone for the Company;

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

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

Strategy

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

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

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

Risk Management, Capital Management and Internal Control

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

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

(iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

(i) Reviews and approves material investments and transactions.

Financial Reporting

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

Communication and Disclosure

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

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

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

Other

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

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

CORPORATE GOVERNANCE (CONTINUED)

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

Directors' Training

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

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

Audit Committee ("AC")

The composition of the AC comprises a majority of Independent Directors of the Company and the attendances of the AC members during the financial year are as follows:

	Attendance
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman	5/5
Encik Pushpanathan A/L S.A. Kanagarayar	5/5
Encik Jose Isidro Navato Camacho (Appointed on 8 November 2016)	1/1
Encik Roger David Steel (Resigned on 8 November 2016)	4/4

The duties and responsibilities of the AC are as follows:

Financial Reporting

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

External Auditor

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

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

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

External Auditor (continued)

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

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

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

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

Internal Control and Audit

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

(ii) Reviews management's reports on the effectiveness of the Company's disclosure controls and procedures and its internal control over financial reporting;

(iii) Reviews with the Head of Internal Audit and management:
   (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor's audit plan, and the adequacy of the resources available to the Head of Internal Audit;
   (b) The effectiveness of the internal control procedures;

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

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

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

Governance

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

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

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Governance (continued)

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

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

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

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

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

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

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

Others

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

CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee ("RNC")

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

	Attendance
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir - Chairman	2/2
Encik Jose Isidro Navato Camacho	2/2
Encik Pushpanathan A/L S.A. Kanagarayar (Appointed on 8 November 2016)	1/1
Dato' Mohd Shukri Bin Hussin	2/2
Encik Renzo Christopher Viegas	2/2
Encik Roger David Steel (Resigned on 8 November 2016)	1/1

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

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

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

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

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

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

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

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

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

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

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

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

Risk Management Committee ("RMC")

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

	Attendance
Encik Jose Isidro Navato Camacho - Chairman	4/5
Encik Pushpanathan A/L S.A. Kanagarayar (Appointed on 8 November 2016)	1/1
Dato' Mohd Shukri Bin Hussin	5/5
Encik Roger David Steel (Resigned on 8 November 2016)	4/4

The duties and responsibilities of the RMC are as follows:

Risk Management

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

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

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

Risk Management (continued)

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

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

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

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

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

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

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

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

Compliance

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

Governance

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

Executive Committee ("EC")

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

Encik Ahmad Farouk Mohamed
Encik Roger David Steel

The duties and responsibilities of the EC are as follows:

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

The Directors in office at the end of the financial year did not hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares and debentures or have beneficial interests in the shares, options over shares and debentures of its related companies during and at the end of the financial year, other than as shown below:

	No. of options over ordinary shares			
	At 1.1.2016	Granted	(Sold)	At 31.12.2016
Sun Life Financial Inc.				
Roger David Steel	22,288	3,897	-	26,185
Ooi Say Teng	4,637	2,278	-	6,915

HOLDING COMPANIES

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

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with their resolution.

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

Kuala Lumpur
28 February 2017

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Ooi Say Teng, being two of the Directors of Sun Life Malaysia Assurance Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 21 to 102 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2016 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors.

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR
CHAIRMAN

OOI SAY TENG
DIRECTOR

Kuala Lumpur
28 February 2017

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Assurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 21 to 102 are in my opinion correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM

Subscribed and solemnly declared by the abovenamed Chew Chin Lim at Kuala Lumpur in the State of Federal Territory this 28 February, 2017.

Before me,

COMMISIONER FOR OATHS

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Assurance Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 102.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
(No. 2954/03/17 (J))
Chartered Accountant

Kuala Lumpur
28 February 2017

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Property and equipment	3	54,784	50,258
Financial assets	4	1,634,224	1,690,021
Loans and receivables	5	147,228	100,324
Reinsurance assets	6	103,245	120,221
Insurance receivables	7	5,746	4,854
Other receivables	8	25,500	11,355
Cash and bank balances		16,666	14,691
TOTAL ASSETS		1,987,393	1,991,724
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	9	342,000	342,000
Share premium		16,000	16,000
Retained earnings	10	108,440	116,507
Reserves		51,586	45,243
Total equity		518,026	519,750
Insurance contract liabilities	11	1,359,658	1,373,046
Insurance claims liabilities		18,546	14,542
Insurance payables	12	14,009	20,134
Other financial liabilities	13	6,259	8,321
Other payables	14	44,872	40,550
Current tax liabilities		9,340	1,564
Deferred tax liabilities	15	16,683	13,817
Total liabilities		1,469,367	1,471,974
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		1,987,393	1,991,724

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

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Gross premiums		448,311	533,517
Premiums ceded to reinsurers		(68,351)	(65,215)
Net premiums		379,960	468,302
Investment income	16	74,887	79,213
Net realised gains	17	757	-
Net fair value gains	18	12,585	-
Other operating income		2,450	1,791
Other income		90,679	81,004
Gross benefits and claims paid		(233,512)	(241,812)
Claims ceded to reinsurers		43,509	51,859
Gross change in contract liabilities		13,388	(80,114)
Change in contract liabilities ceded to reinsurers		(15,900)	17,011
Net claims		(192,515)	(253,056)
Net fair value losses	18	-	(9,132)
Commission expenses		(49,740)	(48,404)
Management expenses	19	(110,893)	(100,869)
Other operating expenses	20	(443)	(602)
Investment expenses		(1,705)	(1,507)
Other expenses		(162,781)	(160,514)
Profit before taxation		115,343	135,736
Tax expense attributable to policyholders and unitholders		(4,842)	(4,525)
Profit before taxation attributable to Shareholders		110,501	131,211
Taxation	21	(27,067)	(31,097)
Tax expense attributable to policyholders and unitholders		4,842	4,525
Tax expense attributable to Shareholders		(22,225)	(26,572)
Net profit and total comprehensive income for the financial year		88,276	104,639
Basic earnings per share (sen)	22	36.48	43.24

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

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Non-distributable			Distributable	
	Note	Share capital RM'000	Share premium RM'000	Reserves* RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2016		342,000	16,000	45,243	116,507	519,750
Dividends	23	-	-	-	(90,000)	(90,000)
Total comprehensive income for the financial year		-	-	74,343	13,933	88,276
Transfer of surpluses		-	-	(68,000)	68,000	-
At 31 December 2016		342,000	16,000	51,586	108,440	518,026
At 1 January 2015		342,000	16,000	10,045	247,065	615,110
Dividends	23	-	-	-	(199,999)	(199,999)
Total comprehensive income for the financial year		-	-	92,394	12,245	104,639
Transfer of surpluses		-	-	(57,196)	57,196	-
At 31 December 2015		342,000	16,000	45,243	116,507	519,750

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

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	88,276	104,639
Adjustments for:		
Gross change in contract liabilities	(13,388)	80,114
Change in contract liabilities ceded to reinsurers	15,900	(17,011)
Property and equipment		
- depreciation	5,450	4,519
- write off	-	5
- gains on disposal	(757)	-
Net fair value (gains)/losses on investments at fair value through profit or loss	(12,585)	9,132
Allowance for impairment loss on insurance receivables	3	-
Interest income	(70,753)	(72,031)
Dividend income	(3,538)	(6,590)
Rental income	(596)	(592)
Taxation	27,067	31,097
Profit from operations before changes in operating assets and liabilities	35,079	133,282
(Increase)/decrease in loans and receivables	(46,801)	54,789
(Increase)/decrease in receivables	(15,056)	1,570
Increase/(decrease) in insurance claims liabilities	5,080	(2,502)
(Decrease)/increase in payables	(3,865)	12,039
Purchase of investments	(463,283)	(629,352)
Proceeds from disposal and maturity of investments	531,862	598,054
	43,016	167,880
Investment income received:		
- Dividend	3,580	6,674
- Interest	70,453	72,492
- Rental	596	592
Taxation paid	(16,451)	(46,061)
Net cash generated from operating activities	101,194	201,577

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	3,949	-
Purchase of property and equipment	(13,168)	(7,758)
Net cash used in investing activities	(9,219)	(7,758)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(90,000)	(199,999)
Net cash used in financing activities	(90,000)	(199,999)
Net increase/(decrease) in cash and cash equivalents	1,975	(6,180)
Cash and cash equivalents at beginning of the financial year	14,691	20,871
Cash and cash equivalents at end of the financial year	16,666	14,691
Cash and cash equivalents comprise:		
Cash and bank balances	16,666	14,691

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

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1 CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 February 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on 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 excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

  The Company is in the process of assessing the financial impact onto the Company’s financial statements.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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 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 goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Company is in the process of assessing the financial impact 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 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.

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

2.2 Summary of significant accounting policies

(a) Property and equipment

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Property and equipment (continued)

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

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

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

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

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

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

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

(b) Financial assets

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Financial assets (continued)

<u>FVTPL</u>

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

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

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

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

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

<u>LAR</u>

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Fair value of financial instruments

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Impairment

(i) Financial assets

The Company assesses at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recorded in profit or loss.

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

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

(ii) Non-financial assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Impairment (continued)

(ii) Non-financial assets (continued)

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

(e) Derecognition of financial assets

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

(f) Equity instruments

Share capital

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

Dividends

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

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

Reserves

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Product classification

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Product classification (continued)

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

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

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

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

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

(h) Reinsurance

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Reinsurance (continued)

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

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

(i) Life insurance underwriting results

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

Gross premiums

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

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

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

Reinsurance premiums

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Life insurance underwriting results (continued)

Benefits and claims expenses

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

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

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

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

Commission and agency expenses

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

(j) Insurance receivables

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Insurance contract liabilities

(i) Actuarial liabilities

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

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

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

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

For the purpose of complying with the requirement of a liability adequacy test under MFRS4 Insurance Contract, insurance operators are deemed to comply if the valuation methods used are in accordance with Appendix VI or Appendix VII of the Risk Based Capital Framework for Insurers (Version 3.0), as specified by BNM.

(ii) Unallocated surplus

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Insurance contract liabilities (continued)

(iii) Net asset value attributable to unit holders

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

(l) Other revenue recognition

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

Interest income

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

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

Rental income

Rental income is recognised on a time proportion basis.

Dividend income

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

Realised gains and losses on investments

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Taxation

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

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

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

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

(n) Provisions

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

(o) Employee benefits

(i) Short term employee benefits

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

(ii) Post employment benefits

Defined contribution plan

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(iii) Share-based payment plan

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

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

(p) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

(q) Other financial liabilities and insurance payables

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

(r) Cash and cash equivalents

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions

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

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

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

(b) Key sources of estimation uncertainty and assumptions

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

<u>Valuation of actuarial liabilities</u>

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

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

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

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

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

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

3 PROPERTY AND EQUIPMENT

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2015	2,658	24,267	597	1,021	43,520	2,680	74,743
Additions	117	3,101	105	-	-	4,435	7,758
Write off	-	-	-	-	-	(5)	(5)
Reclassification	600	5,459	393	-	-	(6,452)	-
At 31 December 2015/ 1 January 2016	3,375	32,827	1,095	1,021	43,520	658	82,496
Additions	503	1,676	213	-	3,908	6,868	13,168
Disposals	-	-	-	(350)	(3,489)	-	(3,839)
Reclassification	469	3,162	155	192	-	(3,978)	-
At 31 December 2016	4,347	37,665	1,463	863	43,939	3,548	91,825

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2015	1,393	21,770	475	860	3,221	-	27,719
Charge for the financial year (note 19)	360	3,598	168	128	265	-	4,519
At 31 December 2015/ 1 January 2016	1,753	25,368	643	988	3,486	-	32,238
Charge for the financial year (note 19)	417	4,471	175	64	323	-	5,450
Disposals	-	-	-	(350)	(297)	-	(647)
At 31 December 2016	2,170	29,839	818	702	3,512	-	37,041

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Net carrying amount							
31 December 2015	1,622	7,459	452	33	40,034	658	50,258
31 December 2016	2,177	7,826	645	161	40,427	3,548	54,784

4 FINANCIAL ASSETS

	2016 RM'000	2015 RM'000
Malaysian Government Securities	438,632	431,208
Cagamas bonds	21,615	21,709
Unquoted corporate debt securities	996,491	1,023,135
Quoted equity securities	56,235	96,675
Unit trust funds	121,077	117,120
Unquoted equity securities	174	174
	1,634,224	1,690,021

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

	2016 RM'000	2015 RM'000
Fair value through profit or loss ("FVTPL")		
- designated upon initial recognition	1,634,224	1,690,021

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

	2016 RM'000	2015 RM'000
FVTPL - designated upon initial recognition	1,371,627	1,395,796

4 FINANCIAL ASSETS (CONTINUED)

	2016 RM'000	2015 RM'000
(a) FVTPL - designated upon initial recognition		
Malaysian Government Securities	438,632	431,208
Cagamas bonds	21,615	21,709
Unquoted corporate debt securities	996,491	1,023,135
Quoted equity securities	56,235	96,675
Unit trust funds	121,077	117,120
Unquoted equity securities	174	174
	1,634,224	1,690,021

(b) Carrying values of financial assets

	FVTPL/Total RM'000
At 1 January 2016	1,690,021
Purchases	463,283
Maturities	(83,009)
Disposals	(452,611)
Fair value gains recorded in:	
Profit or loss (note 18)	16,343
Movement in accrued interest	197
At 31 December 2016	1,634,224
At 1 January 2015	1,668,327
Purchases	629,352
Maturities	(35,876)
Disposals	(562,818)
Fair value losses recorded in:	
Profit or loss (note 18)	(8,492)
Movement in accrued interest	(472)
At 31 December 2015	1,690,021

4 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy

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

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

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

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as 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 Company's financial assets that are carried at fair value as at 31 December 2016:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
FVTPL				
2016				
Malaysian Government Securities	-	438,632	-	438,632
Cagamas bonds	-	21,615	-	21,615
Unquoted corporate debt securities	-	996,491	-	996,491
Quoted equity securities	56,235	-	-	56,235
Unit trust funds	121,077	-	-	121,077
Unquoted equity securities	-	-	174	174
	177,312	1,456,738	174	1,634,224

4 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
FVTPL				
2015				
Malaysian Government Securities	-	431,208	-	431,208
Cagamas bonds	-	21,709	-	21,709
Unquoted corporate debt securities	-	1,023,135	-	1,023,135
Quoted equity securities	96,675	-	-	96,675
Unit trust funds	117,120	-	-	117,120
Unquoted equity securities	-	-	174	174
	213,795	1,476,052	174	1,690,021

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

5 LOANS AND RECEIVABLES

	2016 RM'000	2015 RM'000
Policy loans	10,329	9,753
Other secured loans	26	28
	10,355	9,781
Fixed and call deposits with licensed financial institutions	136,873	90,543
	147,228	100,324
Receivable within 12 months	136,876	90,543
Receivable after 12 months	10,352	9,781
	147,228	100,324

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

6 REINSURANCE ASSETS

	2016 RM'000	2015 RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	11,823	12,899
- insurance contract liabilities (note 11)	91,422	107,322
	103,245	120,221
Receivable within 12 months	15,446	19,630
Receivable after 12 months	87,799	100,591
	103,245	120,221

7 INSURANCE RECEIVABLES

	2016 RM'000	2015 RM'000
Due premiums including agents/brokers and co-insurers balances	5,674	4,854
Less: Allowance for impairment (note 30)	(1)	-
	5,673	4,854
Due from reinsurers and cedants	73	-
	5,746	4,854
Receivable within 12 months	5,746	4,854

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

	2016 RM'000	2015 RM'000
Gross amounts of recognised financial assets	6,813	7,945
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (note 12)	(1,067)	(3,091)
Net amounts of financial assets presented in the statement of financial position	5,746	4,854

7 INSURANCE RECEIVABLES (CONTINUED)

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2016 (2015: nil).

8 OTHER RECEIVABLES

	2016 RM'000	2015 RM'000
Amount due from fund manager/brokers	14,314	936
Amount due from related parties	5,450	6,029
Deposits receivable	260	281
Dividend receivable	132	174
Subscription to LIAM shares	2,147	2,147
Other receivables	3,197	1,788
	25,500	11,355
Receivable within 12 months	23,253	9,208
Receivable after 12 months	2,247	2,147
	25,500	11,355

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

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

9 SHARE CAPITAL

	2016		2015	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Authorised				
Ordinary shares of RM1 each:				
- At beginning/end of the financial year	250,000	250,000	250,000	250,000
Perpetual non-cumulative preference shares of RM1 each:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
	350,000	350,000	350,000	350,000

9 SHARE CAPITAL (CONTINUED)

	2016		2015	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	RM'000	'000	RM'000
Issued and paid up				
Ordinary shares of RM1 each:				
- At beginning/end of the financial year	242,000	242,000	242,000	242,000
Perpetual non-cumulative preference shares of RM1 each:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
	342,000	342,000	342,000	342,000

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

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

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

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

10 RETAINED EARNINGS

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

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

11 INSURANCE CONTRACT LIABILITIES

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

	2016			2015		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Actuarial liabilities	1,186,892	(91,422)	1,095,470	1,201,428	(107,322)	1,094,106
Unallocated surplus	619	-	619	430	-	430
Net asset value attributable to unitholders	172,147	-	172,147	171,188	-	171,188
	1,359,658	(91,422)	1,268,236	1,373,046	(107,322)	1,265,724
Current	275,328	(3,623)	271,705	296,517	(6,731)	289,786
Non-current	1,084,330	(87,799)	996,531	1,076,529	(100,591)	975,938
	1,359,658	(91,422)	1,268,236	1,373,046	(107,322)	1,265,724

11 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

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

11 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2015	1,292,932	(90,311)	1,202,621
Projected changes of inforce policies			
Premium income	113,116	(52,396)	60,720
Expense and commission	(23,602)	21	(23,581)
Benefits	(191,292)	52,958	(138,334)
Interest on cashflows	37,516	(2,970)	34,546
Others	(12,542)	6,764	(5,778)
Experience variance on inforce policies	(5,777)	292	(5,485)
Reserve for new policies	128,190	(19,485)	108,705
Assumption changes			
Discount rate	(5,241)	547	(4,694)
Mortality	(8,028)	5,947	(2,081)
Lapse rates	(1,682)	1,297	(385)
Policy expenses	(13,176)	-	(13,176)
Others	(190)	-	(190)
Expense reserve	(6,900)	-	(6,900)
Other changes	(2,020)	(9,986)	(12,006)
Movement in unallocated surplus	(110)	-	(110)
Movement in net asset value attributable to unitholders	71,852	-	71,852
At 31 December 2015	1,373,046	(107,322)	1,265,724

12 INSURANCE PAYABLES

	2016 RM'000	2015 RM'000
Due to agents and intermediaries	3,518	3,204
Due to reinsurers and cedants	10,491	16,930
	14,009	20,134
Payable within 12 months	14,009	20,134

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

	2016 RM'000	2015 RM'000
Gross amounts of recognised financial liabilities	15,076	23,225
Less: Gross amounts of recognised financial assets set off in the statement of financial position (note 7)	(1,067)	(3,091)
Net amounts of financial liabilities presented in the statement of financial position	14,009	20,134

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2016 (2015: nil).

13 OTHER FINANCIAL LIABILITIES

	2016 RM'000	2015 RM'000
Outstanding purchases of investment securities	700	467
Unprocessed proposals	2,416	3,705
Others	3,143	4,149
	6,259	8,321
Payable within 12 months	6,259	8,321

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

14 OTHER PAYABLES

	2016 RM'000	2015 RM'000
Cash in suspense	284	504
Deposits	95	95
Accrual for bonus	18,626	19,378
Accrual for electronic data processing expenses	1,208	610
Accrual for sales and marketing expenses	9,477	9,897
Accrual for advertising cost	681	240
Accrual for other expenses	9,308	6,965
Others	5,193	2,861
	44,872	40,550

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

15 DEFERRED TAX LIABILITIES

	2016 RM'000	2015 RM'000
At January	13,817	5,513
Recognised in:		
Profit or loss (note 21)	2,866	8,304
At December	16,683	13,817
Current	49	155
Non-current	16,634	13,662
	16,683	13,817

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

15 DEFERRED TAX LIABILITIES (CONTINUED)

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

	2016 RM'000	2015 RM'000
Deferred tax liabilities	16,683	13,817
Deferred tax assets	-	-
	16,683	13,817

	Accelerated depreciation RM'000	Revaluation-financial assets RM'000	Provision for expenses RM'000	Reserves RM'000	Total RM'000
Deferred tax liabilities/(assets)					
At 1 January 2015	160	2,518	165	2,670	5,513
Recognised in:					
Profit or loss (note 21)	-	(886)	(165)	9,355	8,304
At 31 December 2015/ 1 January 2016	160	1,632	-	12,025	13,817
Recognised in:					
Profit or loss (note 21)	42	2,020	(66)	870	2,866
At 31 December 2016	202	3,652	(66)	12,895	16,683

15 DEFERRED TAX LIABILITIES (CONTINUED)

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

	2016 RM'000	2015 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting)		
Provision for expenses	66	-
Offsetting	(66)	-
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
Property and equipment	202	160
Financial assets	3,652	1,632
Reserves	12,895	12,025
	16,749	13,817
Offsetting	(66)	-
Deferred tax liabilities (after offsetting)	16,683	13,817

16 INVESTMENT INCOME

	2016 RM'000	2015 RM'000
Rental income	596	592
Financial assets at FVTPL - designated upon initial recognition		
Interest income	66,272	66,660
Dividend income		
- equity securities quoted in Malaysia	3,538	6,590
LAR interest income	4,481	5,371
	74,887	79,213

17 NET REALISED GAINS

	2016 RM'000	2015 RM'000
Gain on disposal of property and equipment	757	-

18 NET FAIR VALUE GAINS/(LOSSES)

	2016 RM'000	2015 RM'000
Financial assets at FVTPL - designated upon initial recognition		
Unrealised gains/(losses) (note 4(b))	16,343	(8,492)
Realised gains/(losses):		
- Malaysian Government Securities	1,692	1,110
- Quoted equity securities	(3,712)	(6,273)
- Unquoted corporate debt securities	(2,181)	3,231
- Investment-linked funds	443	1,169
- Cagamas bonds	-	123
	12,585	(9,132)

19 MANAGEMENT EXPENSES

	2016 RM'000	2015 RM'000
Employee benefits expense (note 19(a))	42,408	43,061
Directors' fees and allowance (note 19(b))	983	976
Auditors' remuneration:		
Statutory audit		
- current financial year	328	334
- (over)/under accrual in respect of prior financial years	(21)	36
Non-audit services	226	8
Electronic data processing expenses	4,313	3,640
Sales and marketing expenses	36,519	30,684
Advertising cost	1,657	1,397
Depreciation of property and equipment (note 3)	5,450	4,519
Rental expenses	111	166
Telephone and postage expenses	1,802	2,013
Others	17,117	14,035
	110,893	100,869

(a) Employee benefits expense

Salaries and bonus	32,788	33,769
Defined contribution plan	4,469	4,532
Share-based payment plan (note 19(c))	300	239
Expatriate allowances	619	770
Other staff benefits	4,232	3,751
	42,408	43,061

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19 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

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

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits-in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
2016						
Executive:						
Encik Ooi Say Teng	1,911	268	34	196	-	2,409
Encik Roger David Steel	-	-	-	-	16	16
	1,911	268	34	196	16	2,425
Non-executive:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	159	159
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	120	120
Encik Jose Isidro Navato Camacho	-	-	-	-	130	130
Encik Renzo Christopher Viegas	-	-	-	-	112	112
Dato' Mohd Shukri Bin Hussin	-	-	-	-	130	130
Encik Ahmad Farouk Bin Mohamed	-	-	-	-	97	97
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	96	96
Encik Roger David Steel	-	-	-	-	123	123
	1,911	268	34	196	983	3,392

19 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

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

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

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there was no payment for shares and share-linked instruments.

19 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

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

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits-in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
2015						
Executive:						
Encik Ooi Say Teng	1,761	247	33	97	-	2,138
Non-executive:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	159	159
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	114	114
Encik Jose Isidro Navato Camacho	-	-	-	-	128	128
Encik Renzo Christopher Viegas	-	-	-	-	110	110
Dato' Mohd Shukri Bin Hussin	-	-	-	-	128	128
Encik Ahmad Farouk Bin Mohamed	-	-	-	-	96	96
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	95	95
Encik Roger David Steel	-	-	-	-	146	146
	1,761	247	33	97	976	3,114

19 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

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

	Fixed remuneration	Variable remuneration			
Total value of remuneration awards for the financial year:	Cash-based	Cash-based	Shares and share-linked instruments	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2015					
Executive:					
Encik Ooi Say Teng	1,144	864	97	33	2,138
Non-executive:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	144	15	-	-	159
Encik Pushpanathan A/L S.A. Kanagarayar	102	12	-	-	114
Encik Jose Isidro Navato Camacho	114	14	-	-	128
Encik Renzo Christopher Viegas	102	8	-	-	110
Dato' Mohd Shukri Bin Hussin	114	14	-	-	128
Encik Ahmad Farouk Bin Mohamed	90	6	-	-	96
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	5	-	-	95
Encik Roger David Steel	126	20	-	-	146
	2,026	958	97	33	3,114

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, total payment for shares and share-linked instruments amounted to RM43,062.

19 MANAGEMENT EXPENSES (CONTINUED)

(c) Share-based payment plan

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

	2016 RM'000	2015 RM'000
Sun Share Unit Plan	300	239

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

20 OTHER OPERATING EXPENSES

	2016 RM'000	2015 RM'000
Allowance for impairment loss (note 30)	3	-
Others	440	602
	443	602

21 TAXATION

	2016 RM'000	2015 RM'000
Tax expense on the profit for the financial year:		
Income tax:		
Current tax	24,573	24,284
Deferred tax (note 15)	2,866	8,304
	27,439	32,588
Over provision in prior financial years	(372)	(1,491)
	27,067	31,097

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 Company is as follows:

	2016 RM'000	2015 RM'000
Profit before taxation attributable to Shareholders	110,501	131,211
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	26,520	32,803
Income not subject to tax	(3)	(86)
Expenses not deductible for tax purposes	407	24
Section 110B tax credit set off	(3,689)	(4,678)
Over provision in prior financial years	(372)	(1,491)
Tax on investment income attributable to policyholders and unitholders	4,842	4,525
Changes in tax rate	(638)	-
Tax expense for the financial year	27,067	31,097

22 EARNINGS PER SHARE

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

	2016	2015
Profit attributable to ordinary equity holders (RM'000)	88,276	104,639
Weighted average number of shares in issue ('000)	242,000	242,000
Basic earnings per share (sen)	36.48	43.24

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

23 DIVIDENDS

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

	2016		2015	
	RM per share	RM'000	RM per share	RM'000
Dividend in respect of the financial year:				
Perpetual Non-Cumulative Preference Shares	0.08	8,000	0.08	8,000
Ordinary Shares	0.3388	82,000	0.7934	191,999
		90,000		199,999

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

24 OPERATING LEASE COMMITMENTS

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

	2016 RM'000	2015 RM'000
Not later than 1 year	391	375
Later than 1 year and not later than 5 years	124	306
	515	681

25 CAPITAL COMMITMENTS

	2016 RM'000	2015 RM'000
Approved and contracted for:		
Property and equipment	1,177	1,576
Approved but not contracted for:		
Property and equipment	1,323	792
	2,500	2,368

26 FAIR VALUE MEASUREMENTS

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

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

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

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

The Company does not have any liabilities carried at fair value as at 31 December 2016 and 2015.

The Company does not have assets or liabilities measured at fair value on a non-recurring basis during the financial year ended 31 December 2016 (2015: nil).

26 FAIR VALUE MEASUREMENTS (CONTINUED)

A summary of the fair value hierarchy of assets not carried at fair value but for which the fair value is disclosed as at 31 December 2016 is shown below.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2016				
Assets for which the fair value is disclosed				
Self-occupied properties	-	45,140	-	45,140
Total assets for which the fair value is disclosed	-	45,140	-	45,140
At 31 December 2015				
Assets for which the fair value is disclosed				
Self-occupied properties	-	42,280	-	42,280
Total assets for which the fair value is disclosed	-	42,280	-	42,280

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

The Company does not have any liabilities not carried at fair value but for which fair value is disclosed as at 31 December 2016 and 2015.

27 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

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

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

	2016 RM'000	2015 RM'000
(Income)/expenses		
Premiums received from CIMB Bank and CIMB Principal	(9,651)	(8,292)
Premiums paid to SLMTB	268	248
Interest earned from deposits in CIMB Bank and CIBB	(642)	(769)
Commission paid to CIMB Bank and CWAB	43,328	42,779
Sales and marketing expenses paid to CIMB Bank and SLACC	19,923	20,222
Rental income received from CIMB Bank and SLMTB	(527)	(522)
Shared service expenses charged to SLMTB	(46,481)	(34,308)
Recharges of cost paid to SLACC	2,426	1,575
Insurance expenses paid to CIMB Howden	915	584
Investment management fee paid to CIMB Principal	667	629
Internal audit fees paid to SLACC	213	104

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

	2016 RM'000	2015 RM'000
Amount due from SLMTB	5,222	6,026
Amount due to SLACC	(2,128)	(1,088)
Amount due to CIMB Bank	(6,769)	(7,760)

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

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

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

	2016 RM'000	2015 RM'000
Salaries and other short-term employee benefits	9,510	8,666
Defined contribution plan	1,117	1,009
Fees and allowance	983	976
Share-based payment plan	300	239
	11,910	10,890

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM199,834 (2015: RM255,396).

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

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

	2016			2015		
	Number of persons	Unrestricted	Deferred	Number of persons	Unrestricted	Deferred
Fixed remuneration						
Cash-based	11	6,462	-	12	6,163	-
Variable remuneration						
Cash-based	11	4,165	-	12	3,512	-
Shares and share-linked remuneration	2	-	300	2	-	239
Benefits-in-kind	4	200	-	4	255	-

During the financial year, there was one key management personnel entitled to sign-on awards amounted to RM53,873.

28 RISK MANAGEMENT FRAMEWORK

(a) Risk management

The Board recognises that risk management is an integral part of the Company's business objectives and is critical for the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Company has put in place a Risk Management Framework ("RMF") to manage its risks and opportunities. The Board has established the Risk Management Committee ("RMC") with the primary responsibility of ensuring the effective functioning of the RMF. The RMC is supported by management-level committees; namely, the Enterprise Risk Management Committee ("ERMC"), the Asset and Liability Committee ("ALCO") and the Investment Committee that provides oversight responsibilities on operational, financial and insurance risk management in facilitating the optimisation of the risk and return profile of the Company.

28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk management (continued)

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

The Company operates a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by the risk management function (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the Internal Audit division (the third line of defence).

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

(b) Capital management

Capital management risk is defined as the risk of having an insufficient capital base, which undermines execution of strategic objectives, reduces the ability of the Company to cope with losses not anticipated, and reduces confidence of the market, policyholders and creditors.

The Company's capital management objective is to maintain effective capital management processes and a prudent level of capital resources, consistent with the risk appetite agreed by the Board from time to time. It is designed to provide the principles to ensure the efficient management of capital whereby capital resources must be managed in a way which optimises returns to shareholders whilst safeguarding the interests of other stakeholders and the regulator.

The capital management strategy of the Company is to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of shareholders and complies with externally imposed capital requirements by maintaining the level of capital required under the Risk-Based Capital Framework by BNM, as set out in Note 31 to the financial statements.

28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Governance

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

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

The Company’s ALM modelling is based on a projection of both assets and liabilities into the future. The Company monitors its asset and liability matching positions through monthly interest rate sensitivity tests and low risk government bonds management. The Company’s investment policy requires that assets match as closely as possible with liabilities of the appropriate amount, type and duration to minimise ALM risk. It is a requirement of the asset liability risk management policy to match the duration within a maximum deviation of one (1) year. At times, this may either not be possible due to lack of availability of assets or not desirable if additional risk is required to make returns sufficient to meet policy owners’ guarantees.

29 INSURANCE RISK

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

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

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

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

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

29 INSURANCE RISK (CONTINUED)

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

	2016			2015		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Whole life	16,780	(783)	15,997	(10,860)	(131)	(10,991)
Term assurance	190,330	(10,885)	179,445	229,421	(10,854)	218,567
Endowment	247,542	(1,036)	246,506	260,971	(924)	260,047
Mortgage	690,799	(78,276)	612,523	668,545	(94,149)	574,396
Others	41,441	(442)	40,999	53,351	(1,264)	52,087
	1,186,892	(91,422)	1,095,470	1,201,428	(107,322)	1,094,106

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

Key assumptions

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

29 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

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

Discount rate

i. Risk-free rate

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

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

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

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

ii. Fund-based yield

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

A flat gross fund-based yield of 4.03% (2015: 4.33%) per annum is assumed for all durations.

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

29 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Mortality and morbidity

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

Lapse rate

Best estimate assumptions are based on the Company's recent experience studies. Depending on the product's feature, PRAD is set at 25% of the best estimate assumptions.

Management expenses

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

Investment-linked funds' future growth rate

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

29 INSURANCE RISK (CONTINUED)

Sensitivities

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

	Change in best estimate assumptions	Impact on gross actuarial liabilities	Impact on net actuarial liabilities	Impact on profit before tax	Impact on equity*
	%	RM'000	RM'000	RM'000	RM'000
2016					
Mortality/morbidity	+10	71,343	12,799	(12,717)	(10,174)
Expenses	+10	8,609	8,609	(8,575)	(6,860)
Lapse and surrender rates	+10	6,631	8,297	(8,457)	(6,766)
Discount rate	-1	93,338	85,107	(83,656)	(66,925)
2015					
Mortality/morbidity	+10	71,033	15,954	(15,861)	(12,530)
Expenses	+10	9,346	9,346	(9,303)	(7,349)
Lapse and surrender rates	+10	5,506	7,156	(7,326)	(5,788)
Discount rate	-1	88,566	79,863	(78,266)	(61,830)

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

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

30 FINANCIAL RISKS

(a) Credit risk

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

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

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

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

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

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

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

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

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

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

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

2015	Life and Shareholders' funds	Investment-linked funds	Total
	RM'000	RM'000	RM'000
LAR			
Fixed and call deposits	84,664	5,879	90,543
Loans	9,781	-	9,781
Financial assets at FVTPL - designated upon initial recognition			
Malaysian Government Securities	431,208	-	431,208
Cagamas bonds	21,709	-	21,709
Quoted equity securities	47,137	49,538	96,675
Unit trust funds	5	117,115	117,120
Unquoted corporate debt securities	989,183	33,952	1,023,135
Unquoted equity securities	174	-	174
Reinsurance assets	120,221	-	120,221
Insurance receivables	4,854	-	4,854
Other receivables	10,518	837	11,355
Cash and bank balances	14,670	21	14,691
	1,734,124	207,342	1,941,466

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

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

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

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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

	Neither past-due nor impaired					Not subject	Investment-	Past due but	Past due	
2015	AAA	AA	A	BBB	Not rated	to credit risk	linked funds	not impaired	and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR										
Fixed and call deposits	18,056	66,608	-	-	-	-	5,879	-	-	90,543
Loans	-	-	-	-	9,781	-	-	-	-	9,781
Financial assets at FVTPL - designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	431,208	-	-	-	-	431,208
Cagamas bonds	21,709	-	-	-	-	-	-	-	-	21,709
Quoted equity securities	-	-	-	-	-	47,137	49,538	-	-	96,675
Unit trust funds	-	-	-	-	-	5	117,115	-	-	117,120
Unquoted corporate debt securities	156,649	418,856	-	-	413,678		33,952	-	-	1,023,135
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	89,290	34	-	30,897	-	-	-	-	120,221
Insurance receivables	-	-	-	-	4,854	-	-	-	-	4,854
Other receivables	-	-	-	-	10,518	-	837	-	-	11,355
Cash and bank balances	14,572	3	-	-	95	-	21	-	-	14,691
Allowance for impairment losses	-	-	-	-	-	-	-	-	-	-
	210,986	574,757	34	-	901,031	47,316	207,342	-	-	1,941,466

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Impaired Insurance Receivables

At 31 December 2016, impaired Insurance receivables amounted to RM1,359 (2015: nil). Impairment of insurance receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

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

	2016 RM'000	2015 RM'000
As at 1 January	-	-
Allowance for impairment loss during the financial year (note 20)	3	-
Write off against insurance receivables	(2)	-
	1	-

(b) Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Investment department of the Company manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company has a strong liquidity position and seeks to maintain sufficient financial resources to meet its obligations as they fall due.

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

Maturity profiles

The table below summarises the maturity profile of the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance contract liabilities.

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

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

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

2016	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
LAR									
Fixed and call deposits	136,873	128,948	-	-	-	-	-	8,095	137,043
Loans	10,355	10,355	-	-	-	-	-	-	10,355
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	438,632	18,672	158,721	50,818	314,349	48,347	-	1,480	592,387
Cagamas bonds	21,615	1,186	16,268	650	7,149	-	-	-	25,253
Quoted equity securities	56,235	-	-	-	-	-	11,425	44,810	56,235
Unit trust funds	121,077	-	-	-	-	-	-	121,077	121,077
Unquoted corporate debt securities	996,491	102,620	187,480	160,493	759,453	139,010	-	33,869	1,382,925
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	103,245	15,578	17,483	16,409	61,477	43,824	-	-	154,771
Insurance receivables	5,746	5,746	-	-	-	-	-	-	5,746
Other receivables	25,500	24,591	-	-	-	-	-	909	25,500
Cash and bank balances	16,666	16,575	-	-	-	-	-	91	16,666
Total assets	1,932,609	324,271	379,952	228,370	1,142,428	231,181	11,599	210,331	2,528,132

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

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

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

2015	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
LAR									
Fixed and call deposits	90,543	84,715	-	-	-	-	-	5,879	90,594
Loans	9,781	9,781	-	-	-	-	-	-	9,781
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	431,208	22,202	171,955	55,345	302,930	32,601	-	-	585,033
Cagamas bonds	21,709	1,555	17,131	650	7,474	-	-	-	26,810
Quoted equity securities	96,675	-	-	-	-	-	47,137	49,538	96,675
Unit trust funds	117,120	-	-	-	-	-	5	117,115	117,120
Unquoted corporate debt securities	1,023,135	119,223	170,546	169,756	830,506	124,654	-	33,952	1,448,637
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	120,221	19,760	21,191	19,215	71,536	39,053	-	-	170,755
Insurance receivables	4,854	4,854	-	-	-	-	-	-	4,854
Other receivables	11,355	10,518	-	-	-	-	-	837	11,355
Cash and bank balances	14,691	14,670	-	-	-	-	-	21	14,691
Total assets	1,941,466	287,278	380,823	244,966	1,212,446	196,308	47,316	207,342	2,576,479

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
2015 (continued)									
Insurance contract liabilities	1,373,046	185,528	196,138	169,158	635,157	389,479	430	171,188	1,747,078
Insurance claims liabilities	14,542	14,542	-	-	-	-	-	-	14,542
Insurance payables	20,134	20,134	-	-	-	-	-	-	20,134
Other financial liabilities	8,321	8,287	-	-	-	-	-	34	8,321
Other payables	40,550	40,232	-	-	-	-	-	318	40,550
Total liabilities	1,456,593	268,723	196,138	169,158	635,157	389,479	430	171,540	1,830,625

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk

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

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

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

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

(i) <u>Interest rate risk</u>

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

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

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

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

	2015	
Change in interest rate	Impact on profit before taxation RM'000	Impact on equity* RM'000
+ 100 basis points	(88,776)	(66,582)
- 100 basis points	98,605	73,954

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

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

(ii) Price risk

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

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

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

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

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

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

		2015
Change in variables	Impact on profit before taxation	Impact on equity*
	RM'000	RM'000
Market price		
+ 20%	9,427	7,070
- 20%	(9,427)	(7,070)

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

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

(d) Operational risk

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

30 FINANCIAL RISKS (CONTINUED)

(d) Operational risk (continued)

The Company has in place an Operational Risk Management ("ORM") policy which outlines the approach in managing operational risks. From the governance perspective, the RMC and ERMC monitor and oversee the implementation of the ORM policy to ensure that the operational risk management process is in place and functioning effectively.

31 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2016, as prescribed under the RBC Framework is provided below:

	2016 RM'000	2015 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	342,000	342,000
Share premium	16,000	16,000
Retained earnings	108,440	116,507
Eligible contract liabilities	67,919	60,578
	534,359	535,085
Amounts deducted from capital	(3)	-
Total capital available	534,356	535,085

32 EVENTS AFTER THE REPORTING YEAR

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 and was passed by Parliament on 4 April 2016 and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium account.

The adoption of the New Act is not expected to have any financial impact on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the financial statements of the Company for the financial year ending 31 December 2017.

33 INSURANCE FUNDS

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

Statement of Financial Position by Funds as at 31 December 2016

	Shareholders' Fund		Life Fund		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Property and equipment	-	-	54,784	50,258	-	-	54,784	50,258
Financial assets	384,394	392,405	1,285,690	1,333,456	(35,860)	(35,840)	1,634,224	1,690,021
Loans and receivables	13,473	10,740	133,755	89,584	-	-	147,228	100,324
Reinsurance assets	-	-	103,245	120,221	-	-	103,245	120,221
Insurance receivables	-	-	5,746	4,854	-	-	5,746	4,854
Other receivables	148,725	130,407	25,479	11,334	(148,704)	(130,386)	25,500	11,355
Cash and bank balances	11	10	16,655	14,681	-	-	16,666	14,691
Total assets	546,603	533,562	1,625,354	1,624,388	(184,564)	(166,226)	1,987,393	1,991,724

33 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2016 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	342,000	342,000	-	-	-	-	342,000	342,000
Share premium	16,000	16,000	-	-	-	-	16,000	16,000
Retained earnings	108,440	116,507	-	-	-	-	108,440	116,507
Reserves	51,586	45,243	-	-	-	-	51,586	45,243
Total equity	518,026	519,750	-	-	-	-	518,026	519,750
Liabilities								
Insurance contract liabilities	-	-	1,395,518	1,408,886	(35,860)	(35,840)	1,359,658	1,373,046
Insurance claims liabilities	-	-	18,546	14,542	-	-	18,546	14,542
Insurance payables	-	-	14,009	20,134	-	-	14,009	20,134
Other financial liabilities	-	-	6,259	8,321	-	-	6,259	8,321
Other payables	547	656	193,029	170,280	(148,704)	(130,386)	44,872	40,550
Current tax liabilities	12,540	(527)	(3,200)	2,091	-	-	9,340	1,564
Deferred tax liabilities	15,490	13,683	1,193	134	-	-	16,683	13,817
Total liabilities	28,577	13,812	1,625,354	1,624,388	(184,564)	(166,226)	1,469,367	1,471,974
Total equity, policyholders' funds and liabilities	546,603	533,562	1,625,354	1,624,388	(184,564)	(166,226)	1,987,393	1,991,724

33 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2016

	Shareholders' Fund		Life Fund		Elimination		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross premiums	-	-	448,311	533,517	-	-	448,311	533,517
Premiums ceded to reinsurers	-	-	(68,351)	(65,215)	-	-	(68,351)	(65,215)
Net premiums	-	-	379,960	468,302	-	-	379,960	468,302
Investment income	16,210	16,743	58,677	62,470	-	-	74,887	79,213
Net realised gains	-	-	757	-	-	-	757	-
Net fair value gains	2,518	-	10,086	-	(19)	-	12,585	-
Other operating income	-	2	2,450	1,789	-	-	2,450	1,791
Other income	18,728	16,745	71,970	64,259	(19)	-	90,679	81,004
Gross benefits and claims paid	-	-	(233,512)	(241,812)	-	-	(233,512)	(241,812)
Claims ceded to reinsurers	-	-	43,509	51,859	-	-	43,509	51,859
Gross change in contract liabilities	-	-	13,369	(80,547)	19	433	13,388	(80,114)
Change in contract liabilities ceded to reinsurers	-	-	(15,900)	17,011	-	-	(15,900)	17,011
Net claims	-	-	(192,534)	(253,489)	19	433	(192,515)	(253,056)

33 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2016 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net fair value losses	-	(1,846)	-	(6,853)	-	(433)	-	(9,132)
Commission expenses	-	-	(49,740)	(48,404)	-	-	(49,740)	(48,404)
Management expenses	-	-	(110,893)	(100,869)	-	-	(110,893)	(100,869)
Other operating expenses	(440)	(602)	(3)	-	-	-	(443)	(602)
Investment expenses	-	(39)	(1,705)	(1,468)	-	-	(1,705)	(1,507)
Other expenses	(440)	(2,487)	(162,341)	(157,594)	-	(433)	(162,781)	(160,514)
Profit before taxation	18,288	14,258	97,055	121,478	-	-	115,343	135,736
Tax expense attributable to policyholders and unitholders	-	-	(4,842)	(4,525)	-	-	(4,842)	(4,525)
Transfer from life fund	92,213	116,953	(92,213)	(116,953)	-	-	-	-
Profit before taxation attributable to Shareholders	110,501	131,211	-	-	-	-	110,501	131,211
Taxation	(22,225)	(26,572)	(4,842)	(4,525)	-	-	(27,067)	(31,097)
Tax expense attributable to policyholders and unitholders	-	-	4,842	4,525	-	-	4,842	4,525
Tax expense attributable to Shareholders	(22,225)	(26,572)	-	-	-	-	(22,225)	(26,572)
Net profit for the financial year	88,276	104,639	-	-	-	-	88,276	104,639

33 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2016

	Shareholders' Fund		Life Fund		Total	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:						
Operating activities	90,001	199,999	11,193	1,578	101,194	201,577
Investing activities	-	-	(9,219)	(7,758)	(9,219)	(7,758)
Financing activities	(90,000)	(199,999)	-	-	(90,000)	(199,999)
Cash and cash equivalents:						
Net increase/(decrease) in cash and cash equivalents	1	-	1,974	(6,180)	1,975	(6,180)
At beginning of the financial year	10	10	14,681	20,861	14,691	20,871
At end of the financial year	11	10	16,655	14,681	16,666	14,691

34 INVESTMENT-LINKED FUNDS

Investment-linked funds' Statement of Financial Position as at 31 December 2016

	2016 RM'000	2015 RM'000
Assets		
Financial assets	201,236	200,605
Loans and receivables	8,095	5,879
Other receivables	909	837
Cash and bank balances	91	21
Current tax assets	56	40
Total assets	210,387	207,382
Liabilities		
Other financial liabilities	557	34
Other payables	1,264	318
Deferred tax liabilities	559	2
Total liabilities	2,380	354
Net asset value	208,007	207,028

Investment-linked funds' Statement of Comprehensive Income for the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000
Investment income	4,015	6,252
Net fair value gains	4,592	-
	8,607	6,252
Net fair value losses	-	(2,148)
Management expenses	(1,162)	(1,125)
Investment expenses	(516)	(572)
Profit before taxation	6,929	2,407
Taxation	(502)	33
Net profit for the financial year	6,427	2,440

34 INVESTMENT-LINKED FUNDS (CONTINUED)

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

Statement of Financial Position

	2016 RM'000	2015 RM'000
Assets		
Financial assets	17,414	17,268
Other receivables	78	223
Total assets	17,492	17,491
Liabilities		
Other payables	16	23
Current tax liabilities	14	28
Deferred tax liabilities	56	99
Total liabilities	86	150
Net asset value	17,406	17,341

Statement of Comprehensive Income

	2016 RM'000	2015 RM'000
Net fair value gains/(losses)	(366)	4
Investment expenses	(10)	(11)
Loss before taxation	(376)	(7)
Taxation	29	-
Net loss for the financial year	(347)	(7)