

Company No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

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Company No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

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Company No.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Group		Company	
		30.6.2020	31.12.2019	30.6.2020	31.12.2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property and equipment		53,564	55,393	53,564	55,393
Intangible assets		16,098	16,851	16,098	16,851
Right-of-use assets		10,371	11,656	10,371	11,656
Financial assets	12	2,398,650	2,265,074	2,420,148	2,283,316
Loans and receivables		132,949	100,028	111,384	81,708
Reinsurance assets	13	92,946	136,929	92,946	136,929
Insurance receivables		23,673	14,186	23,673	14,186
Other receivables		12,973	16,381	12,973	16,381
Current tax assets		5,109	5,782	5,109	5,782
Cash and bank balances		9,937	15,870	9,926	15,865
TOTAL ASSETS		2,756,270	2,638,150	2,756,192	2,638,067
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES					
Share capital		358,000	358,000	358,000	358,000
Retained earnings		114,915	101,879	114,915	101,879
Reserves		137,003	103,809	137,003	103,809
Total equity		609,918	563,688	609,918	563,688
Insurance contract liabilities	14	1,953,698	1,888,623	1,953,698	1,888,623
Insurance claims liabilities		34,039	35,212	34,039	35,212
Insurance payables		20,692	14,634	20,692	14,634
Lease liabilities		10,440	11,511	10,440	11,511
Other financial liabilities		8,151	7,554	8,151	7,554
Other payables		64,936	73,489	64,858	73,406
Deferred tax liabilities		54,396	43,439	54,396	43,439
Total liabilities		2,146,352	2,074,462	2,146,274	2,074,379
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		2,756,270	2,638,150	2,756,192	2,638,067

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

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

	Group		Company	
	6 months period ended 30.6.2020 RM'000	6 month period ended 30.6.2019 RM'000	6 months period ended 30.6.2020 RM'000	6 months period ended 30.6.2019 RM'000
Gross premiums	340,668	357,251	340,668	357,251
Premiums ceded to reinsurers	(34,839)	(32,901)	(34,839)	(32,901)
Net premiums	305,829	324,350	305,829	324,350
Investment income	49,769	43,873	50,954	44,954
Net fair value gains	21,931	104,561	20,321	103,064
Other operating income	3,399	1,917	3,399	1,917
Other income	75,099	150,351	74,674	149,935
Gross benefits and claims paid	(130,596)	(128,022)	(130,596)	(128,022)
Claims ceded to reinsurers	20,370	25,631	20,370	25,631
Gross change in contract liabilities	(65,075)	(202,226)	(65,075)	(202,226)
Change in contract liabilities ceded to reinsurers	(43,559)	19,060	(43,559)	19,060
Net claims	(218,860)	(285,557)	(218,860)	(285,557)
Net realised losses	(5)	(4)	(5)	(4)
Commission expenses	(32,871)	(34,853)	(32,871)	(34,853)
Management expenses	(67,266)	(74,475)	(66,841)	(74,059)
Other operating expenses	(399)	(314)	(399)	(314)
Investment expenses	(1,134)	(711)	(1,134)	(711)
Finance cost	(203)	(13)	(203)	(13)
Other expenses	(101,878)	(110,370)	(101,453)	(109,954)

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

	Group		Company	
	6 months period ended 30.6.2020 RM'000	6 month period ended 30.6.2019 RM'000	6 months period ended 30.6.2020 RM'000	6 months period ended 30.6.2019 RM'000
Profit before taxation	60,190	78,774	60,190	78,774
Tax expense attributable to policyholders and unitholders	(4,566)	(10,191)	(4,566)	(10,191)
Profit before taxation attributable to Shareholders	55,624	68,583	55,624	68,583
Taxation	15 (13,960)	(22,522)	(13,960)	(22,522)
Tax expense attributable to policyholders and unitholders	4,566	10,191	4,566	10,191
Tax expense attributable to Shareholders	(9,394)	(12,331)	(9,394)	(12,331)
Net profit and total comprehensive income for the financial period	46,230	56,252	46,230	56,252
Basic earnings per share (sen)	19.10	23.24	19.10	23.24

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

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

<u>Group/Company</u>	<u>Share capital</u> RM'000	<u>Reserves¹</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2020	358,000	103,809	101,879	563,688
Total comprehensive income for the financial period	-	33,194	13,036	46,230
At 30 June 2020	<u>358,000</u>	<u>137,003</u>	<u>114,915</u>	<u>609,918</u>
At 1 January 2019	358,000	97,747	132,839	588,586
Effects on adoption of MFRS 16 (Note 19)	-	(27)	-	(27)
Dividends	-	-	(106,300)	(106,300)
Total comprehensive income for the financial period	-	39,249	17,003	56,252
At 30 June 2019	<u>358,000</u>	<u>136,969</u>	<u>43,542</u>	<u>538,511</u>

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

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

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

	Group		Company	
	6 months period ended 30.6.2020 RM'000	6 month period ended 30.6.2019 RM'000	6 months period ended 30.6.2020 RM'000	6 months period ended 30.6.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial period	46,230	56,252	46,230	56,252
Adjustments for:				
Gross change in contract liabilities	65,075	202,226	65,075	202,226
Change in contract liabilities ceded to reinsurers	43,559	(19,060)	43,559	(19,060)
Property and equipment				
- depreciation	1,393	4,285	1,393	4,285
- losses on disposal	5	4	5	4
Amortisation of intangible assets	4,303	331	4,303	331
Amortisation of right-of-use assets	1,549	236	1,549	236
Net fair value gains on investments at fair value through profit or loss	(21,931)	(104,561)	(20,321)	(103,064)
Interest income	(44,629)	(40,592)	(36,176)	(31,615)
Dividend income	(4,874)	(3,009)	(14,513)	(13,067)
Rental income	(265)	(272)	(265)	(272)
Finance cost	203	13	203	13
Taxation	13,960	22,522	13,960	22,522
Short term and low value lease assets expense	103	830	103	830
Profit from operations before changes in operating assets and liabilities	104,681	119,205	105,105	119,621
(Increase)/decrease in loans and receivables	(32,953)	47,186	(29,708)	32,079
(Increase)/decrease in receivables	(1,678)	74	(1,678)	74
Increase in right-of-use assets	(264)	(146)	(264)	(146)
(Decrease)/increase in insurance claims liabilities	(749)	1,091	(749)	1,091
(Decrease)/increase in payables	(1,588)	2,969	(1,584)	2,972
Purchase of investments	(334,974)	(431,223)	(253,802)	(363,811)
Proceeds from disposal and maturity of investments	224,308	348,800	138,307	294,816
	(43,217)	87,956	(44,373)	86,696
Investment income received:				
- Dividend	4,840	3,222	14,479	13,280
- Interest	43,681	39,879	35,192	31,081
- Rental	265	272	265	272
Finance cost paid	(226)	(13)	(226)	(13)
Taxation paid	(6,697)	(12,660)	(6,697)	(12,660)
Short term and low value lease assets paid	(97)	(802)	(97)	(802)
Net cash (used in)/generated from operating activities	(1,451)	117,854	(1,457)	117,854

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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>6 months</u>	<u>6 month</u>	<u>6 months</u>	<u>6 months</u>
	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>
	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(2,355)	(2,485)	(2,355)	(2,485)
Purchase of intangible assets	(764)	(2,000)	(764)	(2,000)
Net cash used in investing activities	<u>(3,119)</u>	<u>(4,485)</u>	<u>(3,119)</u>	<u>(4,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(106,300)	-	(106,300)
Payment of lease liabilities	(1,363)	(188)	(1,363)	(188)
Net cash used in financing activities	<u>(1,363)</u>	<u>(106,488)</u>	<u>(1,363)</u>	<u>(106,488)</u>
Net (decrease)/increase in cash and cash equivalents	(5,933)	6,881	(5,939)	6,881
Cash and cash equivalents at beginning of the financial period	<u>15,870</u>	<u>21,524</u>	<u>15,865</u>	<u>21,518</u>
Cash and cash equivalents at end of the financial period	<u>9,937</u>	<u>28,405</u>	<u>9,926</u>	<u>28,399</u>
Cash and cash equivalents comprise:				
Cash and bank balances	<u>9,937</u>	<u>28,405</u>	<u>9,926</u>	<u>28,399</u>

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

1 CORPORATE INFORMATION

The Group and the Company are engaged principally in the underwriting of life insurance and investment-linked business. There were no significant changes in the nature of these activities during the six months period ended 30 June 2020.

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

The Company's registered office and principal place of business is 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 no longer a financial holding company, effective from 2 October 2019. All three companies are incorporated in Malaysia.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim financial statements of the Group and the Company were prepared in accordance with the Malaysian Financial Reporting Standard (MFRS) 134, "Interim Financial Reporting" which do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's audited financial statements for the financial year ended 31 December 2019.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

New standards that are effective and were adopted

The amendments and improvements to published standards and interpretations that are relevant and have been adopted by the Group and the Company for the first time for the financial year beginning on or after 1 January 2020 are as follows:

- (i) The Conceptual Framework for Financial Reporting
- (ii) Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- (iii) Amendments to MFRS 3 "Definition of a Business"

The adoption of these amendments did not have any material impact to the Group's and the Company's financial statements.

New standard that is effective and was deferred for adoption

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for annual periods after 1 January 2020. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except for the following as set out below:

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

MFRS 17 is effective for annual periods beginning on or after 1 January 2021. Nevertheless, the due process to defer the effective date of MFRS 17 by two years to 1 January 2023 is currently in progress and is expected to be announced soon.

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

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

Alternative measurement models are provided for the different insurance coverage:

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Amendments to MFRS 101 “Classification of liabilities as current or non-current” (effective 1 January 2022) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

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

3 SEASONALITY OF OPERATIONS

The Group’s and the Company’s business operations were not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2020.

4 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the six months period ended 30 June 2020.

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

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence during the six months period ended 30 June 2020.

6 ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

There were no issues, repurchases and repayments of debts and equity securities during the six months period ended 30 June 2020.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

7 DIVIDENDS

The amounts of dividends declared by the Company in respect of the financial year ended 31 December 2019 are as follows:

	<u>Group/Company</u> RM'000
- Single-Tier Final Dividend in respect of the Perpetual Noncumulative Preference Shares of 8 sen per share	8,000
- Single-Tier Final Dividend in respect of the Ordinary Shares of 21.49 sen per share	52,000
	<u>60,000</u>

The dividend payment date will be ascertained by the Shareholders at a later date.

8 CONTINGENT LIABILITIES

There were no material contingent liabilities that arose during the six months period ended 30 June 2020.

9 SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant events and transactions that have not been reflected in the financial statements for the six months period ended 30 June 2020.

10 SUBSEQUENT EVENTS

There were no material events after the interim period that are required to be reflected in the financial statements for the six months period ended 30 June 2020.

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

There were no changes in the composition of the Group and the Company during the six months period ended 30 June 2020.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

12 FINANCIAL ASSETS

	<u>Group</u>		<u>Company</u>	
	Audited		Audited	
	<u>30.6.2020</u>	<u>31.12.2019</u>	<u>30.6.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	702,898	577,825	626,918	556,670
Cagamas bonds	6,292	6,154	6,292	6,154
Unquoted corporate debt securities	1,335,240	1,299,431	1,044,453	965,436
Quoted equity securities	126,250	148,408	126,250	148,408
Unit trust funds	227,796	233,082	227,796	233,082
Controlled structured entities	-	-	388,265	373,392
Unquoted equity securities	174	174	174	174
	<u>2,398,650</u>	<u>2,265,074</u>	<u>2,420,148</u>	<u>2,283,316</u>

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

	<u>Group</u>		<u>Company</u>	
	Audited		Audited	
	<u>30.6.2020</u>	<u>31.12.2019</u>	<u>30.6.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000	RM'000	RM'000
Fair value through profit or loss ("FVTPL")				
- designated upon initial recognition	<u>2,398,650</u>	<u>2,265,074</u>	<u>2,420,148</u>	<u>2,283,316</u>

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

	<u>Group</u>		<u>Company</u>	
	Audited		Audited	
	<u>30.6.2020</u>	<u>31.12.2019</u>	<u>30.6.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000	RM'000	RM'000
FVTPL - designated upon initial recognition	<u>1,981,673</u>	<u>1,836,456</u>	<u>1,647,243</u>	<u>1,512,996</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
(a) FVTPL - designated upon initial recognition				
Malaysian Government Securities	702,898	577,825	626,918	556,670
Cagamas bonds	6,292	6,154	6,292	6,154
Unquoted corporate debt securities	1,335,240	1,299,431	1,044,453	965,436
Quoted equity securities	126,250	148,408	126,250	148,408
Unit trust funds	227,796	233,082	227,796	233,082
Controlled structured entities	-	-	388,265	373,392
Unquoted equity securities	174	174	174	174
	2,398,650	2,265,074	2,420,148	2,283,316
(b) Carrying values of financial assets				
<u>Group</u>				<u>FVTPL/Total</u> RM'000
At 1 January 2020				2,265,074
Purchases				334,974
Maturities				(5,004)
Disposals				(217,119)
Fair value gains recorded in:				
Profit or loss				19,745
Movement in accrued interest				980
At 30 June 2020				2,398,650
At 1 January 2019				1,884,666
Purchases				793,342
Maturities				(73,848)
Disposals				(468,629)
Fair value gains recorded in:				
Profit or loss				127,154
Movement in accrued interest				2,389
At 31 December 2019				2,265,074

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12 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial assets (continued)

<u>Company</u>	<u>FVTPL/Total</u> <u>RM'000</u>
At 1 January 2020	2,283,316
Purchases	253,802
Maturities	-
Disposals	(142,789)
Fair value gains recorded in:	
Profit or loss	24,803
Movement in accrued interest	1,016
At 30 June 2020	<u>2,420,148</u>
At 1 January 2019	1,905,193
Purchases	677,406
Maturities	(58,440)
Disposals	(368,056)
Fair value gains recorded in:	
Profit or loss	124,661
Movement in accrued interest	2,552
At 31 December 2019	<u>2,283,316</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

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

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

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

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

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

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 30 June 2020:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>FVTPL</u>				
<u>30.6.2020</u>				
Malaysian Government				
Securities	-	702,898	-	702,898
Cagamas bonds	-	6,292	-	6,292
Unquoted corporate debt				
Securities	-	1,335,240	-	1,335,240
Quoted equity securities	126,250	-	-	126,250
Unit trust funds	227,796	-	-	227,796
Unquoted equity securities	-	-	174	174
	<u>354,046</u>	<u>2,044,430</u>	<u>174</u>	<u>2,398,650</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>FVTPL</u>				
<u>Audited</u> <u>31.12.2019</u>				
Malaysian Government				
Securities	-	577,825	-	577,825
Cagamas bonds	-	6,154	-	6,154
Unquoted corporate debt securities	-	1,299,431	-	1,299,431
Quoted equity securities	148,408	-	-	148,408
Unit trust funds	233,082	-	-	233,082
Unquoted equity securities	-	-	174	174
	<u>381,490</u>	<u>1,883,410</u>	<u>174</u>	<u>2,265,074</u>
<u>Company</u>				
<u>FVTPL</u>				
<u>30.6.2020</u>				
Malaysian Government				
Securities	-	626,918	-	626,918
Cagamas bonds	-	6,292	-	6,292
Unquoted corporate debt Securities	-	1,044,453	-	1,044,453
Quoted equity securities	126,250	-	-	126,250
Unit trust funds	227,796	-	-	227,796
Controlled structured entities	388,265	-	-	388,265
Unquoted equity securities	-	-	174	174
	<u>742,311</u>	<u>1,677,663</u>	<u>174</u>	<u>2,420,148</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Company</u>				
<u>FVTPL</u>				
<u>Audited</u> <u>31.12.2019</u>				
Malaysian Government				
Securities	-	556,670	-	556,670
Cagamas bonds	-	6,154	-	6,154
Unquoted corporate debt securities	-	965,436	-	965,436
Quoted equity securities	148,408	-	-	148,408
Unit trust funds	233,082	-	-	233,082
Controlled structured entities	373,392	-	-	373,392
Unquoted equity securities	-	-	174	174
	<u>754,882</u>	<u>1,528,260</u>	<u>174</u>	<u>2,283,316</u>

There are no transfers between Levels 1 and 2 of the fair value hierarchy during the six months period ended 30 June 2020.

13 REINSURANCE ASSETS

	<u>Group/Company</u> <u>Audited</u>	
	<u>30.6.2020</u> RM'000	<u>31.12.2019</u> RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	18,655	19,079
- insurance contract liabilities (note 14)	74,291	117,850
	<u>92,946</u>	<u>136,929</u>
Receivable within 12 months	26,071	26,677
Receivable after 12 months	66,875	110,252
	<u>92,946</u>	<u>136,929</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES

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

	30.6.2020			Audited 31.12.2019		
<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000
Actuarial liabilities	1,658,954	(74,291)	1,584,663	1,599,524	(117,850)	1,481,674
Net asset value attributable to unitholders	294,744	-	294,744	289,099	-	289,099
	<u>1,953,698</u>	<u>(74,291)</u>	<u>1,879,407</u>	<u>1,888,623</u>	<u>(117,850)</u>	<u>1,770,773</u>
Current	232,713	(7,416)	225,297	254,579	(7,598)	246,981
Non-current	1,720,985	(66,875)	1,654,110	1,634,044	(110,252)	1,523,792
	<u>1,953,698</u>	<u>(74,291)</u>	<u>1,879,407</u>	<u>1,888,623</u>	<u>(117,850)</u>	<u>1,770,773</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

14 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

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

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2020	1,888,623	(117,850)	1,770,773
<u>Projected changes of inforce policies</u>			
Premium income	184,957	(33,559)	151,398
Expense and commission	(26,967)	162	(26,805)
Benefits	(125,780)	35,720	(90,060)
Interest on cashflows	23,688	(1,725)	21,963
Others	(18,434)	4,139	(14,295)
Experience variance on inforce policies	15,619	(2,863)	12,756
Reserve for new policies	36,761	(8,154)	28,607
<u>Assumption changes</u>			
Discount rate	57,891	(3,554)	54,337
Mortality	(69,854)	50,939	(18,915)
Lapse rates	-	-	-
Policy expenses	-	-	-
Others	-	-	-
Expense reserve	(2,424)	-	(2,424)
Other changes	(16,027)	2,454	(13,573)
Movement in net asset value attributable to unitholders	5,645	-	5,645
At 30 June 2020	<u>1,953,698</u>	<u>(74,291)</u>	<u>1,879,407</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2019	1,493,828	(75,199)	1,418,629
<u>Projected changes of inforce policies</u>			
Premium income	305,460	(59,403)	246,057
Expense and commission	(44,774)	10	(44,764)
Benefits	(206,389)	51,809	(154,580)
Interest on cashflows	44,016	(2,469)	41,547
Others	(42,945)	17,631	(25,314)
Experience variance on inforce policies	31,200	(10,370)	20,830
Reserve for new policies	119,375	(27,362)	92,013
<u>Assumption changes</u>			
Discount rate	113,326	(4,011)	109,315
Mortality	7,986	(6,773)	1,213
Lapse rates	522	6	528
Policy expenses	4,078	-	4,078
Expense reserve	(2,884)	-	(2,884)
Other changes	(1,346)	(1,719)	(3,065)
Movement in net asset value attributable to unitholders	67,170	-	67,170
At 31 December 2019	<u>1,888,623</u>	<u>(117,850)</u>	<u>1,770,773</u>

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15 TAXATION

	<u>Group/Company</u>	
	<u>6 months</u> period ended <u>30.6.2020</u> RM'000	<u>6 months</u> period ended <u>30.6.2019</u> RM'000
Tax expense on the profit for the financial period:		
Income tax:		
Current tax	3,003	2,915
Deferred tax	10,957	19,607
	<u>13,960</u>	<u>22,522</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>6 months</u> period ended <u>30.6.2020</u> RM'000	<u>6 months</u> period ended <u>30.6.2019</u> RM'000	<u>6 months</u> period ended <u>30.6.2020</u> RM'000	<u>6 months</u> period ended <u>30.6.2019</u> RM'000
Profit before taxation attributable to Shareholders	55,624	68,583	55,624	68,583
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	13,350	16,460	13,350	16,460
Income not subject to tax	(2,416)	(2,442)	(2,314)	(2,342)
Expenses not deductible for tax purposes	120	275	18	175
Section 110B tax credit set off	(1,660)	(1,962)	(1,660)	(1,962)
Tax expense attributable to Shareholders	<u>9,394</u>	<u>12,331</u>	<u>9,394</u>	<u>12,331</u>
Tax expense attributable to policyholders and unitholders	4,566	10,191	4,566	10,191
	<u>13,960</u>	<u>22,522</u>	<u>13,960</u>	<u>22,522</u>

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16 OPERATING LEASE COMMITMENTS

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

	<u>Group/Company</u>	
	<u>30.6.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000
Not later than 1 year	33	179

17 CAPITAL COMMITMENTS

	<u>Group/Company</u>	
	<u>30.6.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000
Approved and contracted for:		
Property and equipment	186	80
Intangible assets	348	787
Approved but not contracted for:		
Intangible assets	3,084	1,449
	<u>3,618</u>	<u>2,316</u>

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18 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2020, as prescribed under the RBC Framework is provided below:

	<u>Group/Company</u>	
	<u>30.06.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	358,000	358,000
Retained earnings	114,915	101,879
Eligible contract liabilities	171,255	129,761
	<u>644,170</u>	<u>589,640</u>
Amounts deducted from capital	(16,098)	(4,368)
Total capital available	<u>628,072</u>	<u>585,272</u>

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19 CHANGE IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16 LEASES

During the financial year ended 31 December 2019, the Group and the Company changed its accounting policies on leases upon adoption of MFRS 16. The Group and the Company had elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Company are a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

In addition, the Group and the Company had elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new requirements had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

In applying MFRS 16 for the first time, the Group and the Company had applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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19 CHANGE IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16 (CONTINUED)

Impacts of adoption of MFRS 16 as at 1 January 2019

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

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

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5% per annum.

The reconciliation between the operating lease commitments and the lease liabilities are as follows:

<u>Group/Company</u>	RM'000
Operating lease commitments disclosed as at 31 December 2018	<u>241</u>
Present value of operating lease commitment (discounted using borrowing rate)	229
Leased assets not disclosed as operating lease commitment	348
Recognition exemption under short term lease assets and low value assets	(40)
Lease liabilities recognised as at 1 January 2019	<u>537</u>
Of which are:	
Current lease liabilities	43
Non-current lease liabilities	494
	<u>537</u>

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20 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT

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

<u>Fair value as at 30 June 2020</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial assets</u> RM'000	<u>Total*</u> RM'000
<u>Group</u>			
Financial assets	-	2,418,495	2,418,495
Malaysian Government Securities	-	702,898	702,898
Cagamas bonds	-	6,292	6,292
Unquoted corporate debt securities	-	1,329,890	1,329,890
Unquoted corporate securities (perpetual instruments)	-	5,350	5,350
Quoted equity securities	-	126,250	126,250
Unquoted equity securities [#]	-	20,019	20,019
Unit trust funds	-	227,796	227,796
Loans and receivables – Fixed and call deposits	113,519	-	113,519
Other receivables	12,973	-	12,973
Cash and bank balances	9,937	-	9,937
	<u>136,429</u>	<u>2,418,495</u>	<u>2,554,924</u>
<u>Company</u>			
Financial assets	-	2,439,993	2,439,993
Malaysian Government Securities	-	626,918	626,918
Cagamas bonds	-	6,292	6,292
Unquoted corporate debt securities	-	1,044,453	1,044,453
Quoted equity securities	-	126,250	126,250
Unquoted equity securities [#]	-	20,019	20,019
Unit trust funds	-	227,796	227,796
Controlled structured entities	-	388,265	388,265
Loans and receivables – Fixed and call deposits	91,954	-	91,954
Other receivables	12,973	-	12,973
Cash and bank balances	9,926	-	9,926
	<u>114,853</u>	<u>2,439,993</u>	<u>2,554,846</u>

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

Under MFRS 9, the unquoted equity securities are stated at market value.

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

Audited Fair value as at 31 December 2019	Financial assets with SPPI cash flows RM'000	All other financial asset RM'000	Total* RM'000
<u>Group</u>			
Financial assets	-	2,284,919	2,284,919
Malaysian Government Securities	-	577,825	577,825
Cagamas bonds	-	6,154	6,154
Unquoted corporate debt securities	-	1,294,055	1,294,055
Unquoted corporate securities (perpetual instruments)	-	5,376	5,376
Quoted equity securities	-	148,408	148,408
Unquoted equity securities [#]	-	20,019	20,019
Unit trust funds	-	233,082	233,082
Loans and receivables – Fixed and call deposits	82,555	-	82,555
Other receivables	16,381	-	16,381
Cash and bank balances	15,870	-	15,870
	<u>114,806</u>	<u>2,284,919</u>	<u>2,399,725</u>
<u>Company</u>			
Financial assets	-	2,303,161	2,303,161
Malaysian Government Securities	-	556,670	556,670
Cagamas bonds	-	6,154	6,154
Unquoted corporate debt securities	-	965,436	965,436
Quoted equity securities	-	148,408	148,408
Unquoted equity securities [#]	-	20,019	20,019
Unit trust funds	-	233,082	233,082
Controlled structured entities	-	373,392	373,392
Loans and receivables – Fixed and call deposits	64,235	-	64,235
Other receivables	16,381	-	16,381
Cash and bank balances	15,865	-	15,865
	<u>96,481</u>	<u>2,303,161</u>	<u>2,399,642</u>

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

Under MFRS 9, the unquoted equity securities are stated at market value.

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

	Financial assets with SPPI cash flows	All other financial assets	Total
	RM'000	RM'000	RM'000
<u>30.06.2020</u>			
<u>Changes in fair value during the period</u>			
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	12,175	12,175
Cagamas bonds	-	142	142
Unquoted corporate debt securities	-	21,183	21,183
Unquoted corporate debt securities (perpetual instruments)	-	(73)	(73)
Quoted equity securities	-	(5,938)	(5,938)
Unquoted equity securities#	-	-	-
Unit trust funds	-	(7,744)	(7,744)
	<u>-</u>	<u>19,745</u>	<u>19,745</u>
	<u>-</u>	<u>19,745</u>	<u>19,745</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	11,073	11,073
Cagamas bonds	-	142	142
Unquoted corporate debt securities	-	22,037	22,037
Quoted equity securities	-	(5,938)	(5,938)
Unquoted equity securities#	-	-	-
Unit trust funds	-	(7,744)	(7,744)
Controlled structured entities	-	5,233	5,233
	<u>-</u>	<u>24,803</u>	<u>24,803</u>
	<u>-</u>	<u>24,803</u>	<u>24,803</u>

Under MFRS 9, the unquoted equity securities are stated at market value.

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

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

[#] Under MFRS 9, the unquoted equity securities are stated at market value.

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

Financial assets with SPPI cash flows*

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

	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>Non-rated</u> RM'000	<u>Investment- linked funds</u> RM'000	<u>Total</u> RM'000
<u>30.06.2020</u>					
<u>Group</u>					
Loans and receivables – Fixed and Call deposits	70,651	36,766	-	6,102	113,519
Other receivables	-	-	9,765	3,208	12,973
Cash and bank balances	9,547	173	131	86	9,937
	<u>80,198</u>	<u>36,939</u>	<u>9,896</u>	<u>9,396</u>	<u>136,429</u>
<u>Company</u>					
Loans and receivables – Fixed and Call deposits	49,086	36,766	-	6,102	91,954
Other receivables	-	-	9,765	3,208	12,973
Cash and bank balances	9,536	173	131	86	9,926
	<u>58,622</u>	<u>36,939</u>	<u>9,896</u>	<u>9,396</u>	<u>114,853</u>
<u>Audited</u> <u>31.12.2019</u>					
<u>Group</u>					
Loans and receivables – Fixed and Call deposits	48,448	27,206	-	6,901	82,555
Other receivables	-	-	15,587	794	16,381
Cash and bank balances	15,490	89	234	57	15,870
	<u>63,938</u>	<u>27,295</u>	<u>15,821</u>	<u>7,752</u>	<u>114,806</u>
<u>Company</u>					
Loans and receivables – Fixed and Call deposits	30,128	27,206	-	6,901	64,235
Other receivables	-	-	15,587	794	16,381
Cash and bank balances	15,485	89	234	57	15,865
	<u>45,613</u>	<u>27,295</u>	<u>15,821</u>	<u>7,752</u>	<u>96,481</u>

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

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21 **INSURANCE FUNDS**

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

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

Statement of financial position by Funds as at 30 June 2020

	Shareholders' Fund		Life Fund		Elimination		Total	
	<u>30.06.2020</u>	<u>31.12.2019</u>	<u>30.06.2020</u>	<u>31.12.2019</u>	<u>30.06.2020</u>	<u>31.12.2019</u>	<u>30.06.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
<u>Assets</u>								
Property and equipment	-	-	53,564	55,393	-	-	53,564	55,393
Intangible assets	-	-	16,098	16,851	-	-	16,098	16,851
Right-of-use assets	-	-	10,371	11,656	-	-	10,371	11,656
Financial assets	408,276	396,830	2,031,708	1,909,748	(41,334)	(41,504)	2,398,650	2,265,074
Loans and receivables	22,625	19,553	110,324	80,475	-	-	132,949	100,028
Reinsurance assets	-	-	92,946	136,929	-	-	92,946	136,929
Insurance receivables	-	-	23,673	14,186	-	-	23,673	14,186
Other receivables	234,704	193,242	12,973	16,381	(234,704)	(193,242)	12,973	16,381
Current tax assets	(12,000)	(12,000)	17,109	17,782	-	-	5,109	5,782
Cash and bank balances	21	15	9,916	15,855	-	-	9,937	15,870
Total assets	653,626	597,640	2,378,682	2,275,256	(276,038)	(234,746)	2,756,270	2,638,150

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21 **INSURANCE FUNDS (CONTINUED)**

Statement of financial position by Funds as at 30 June 2020 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	Audited		Audited		Audited		Audited	
	<u>30.06.2020</u>	<u>31.12.2019</u>	<u>30.06.2020</u>	<u>31.12.2019</u>	<u>30.06.2020</u>	<u>31.12.2019</u>	<u>30.06.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	114,915	101,879	-	-	-	-	114,915	101,879
Reserves	137,003	103,809	-	-	-	-	137,003	103,809
Total equity	609,918	563,688	-	-	-	-	609,918	563,688
<u>Liabilities</u>								
Insurance contract liabilities	-	-	1,995,032	1,930,127	(41,334)	(41,504)	1,953,698	1,888,623
Insurance claims liabilities	-	-	34,039	35,212	-	-	34,039	35,212
Insurance payables	-	-	20,692	14,634	-	-	20,692	14,634
Lease liabilities	-	-	10,440	11,511	-	-	10,440	11,511
Other financial liabilities	-	-	8,151	7,554	-	-	8,151	7,554
Other payables	1,189	824	298,451	265,907	(234,704)	(193,242)	64,936	73,489
Deferred tax liabilities	42,519	33,128	11,877	10,311	-	-	54,396	43,439
Total liabilities	43,708	33,952	2,378,682	2,275,256	(276,038)	(234,746)	2,146,352	2,074,462
Total equity, policyholders' funds and liabilities	653,626	597,640	2,378,682	2,275,256	(276,038)	(234,746)	2,756,270	2,638,150

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21 **INSURANCE FUNDS (CONTINUED)**

Statement of financial position by Funds as at 30 June 2020 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	Audited		Audited		Audited		Audited	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
<u>Assets</u>								
Property and equipment	-	-	53,564	55,393	-	-	53,564	55,393
Intangible assets	-	-	16,098	16,851	-	-	16,098	16,851
Right-of-use assets	-	-	10,371	11,656	-	-	10,371	11,656
Financial assets	429,774	415,072	2,031,708	1,909,748	(41,334)	(41,504)	2,420,148	2,283,316
Loans and receivables	1,060	1,233	110,324	80,475	-	-	111,384	81,708
Reinsurance assets	-	-	92,946	136,929	-	-	92,946	136,929
Insurance receivables	-	-	23,673	14,186	-	-	23,673	14,186
Other receivables	234,704	193,242	12,973	16,381	(234,704)	(193,242)	12,973	16,381
Current tax assets	(12,000)	(12,000)	17,109	17,782	-	-	5,109	5,782
Cash and bank balances	10	10	9,916	15,855	-	-	9,926	15,865
Total assets	653,548	597,557	2,378,682	2,275,256	(276,038)	(234,746)	2,756,192	2,638,067

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21 **INSURANCE FUNDS (CONTINUED)**

Statement of financial position by Funds as at 30 June 2020 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	Audited		Audited		Audited		Audited	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	114,915	101,879	-	-	-	-	114,915	101,879
Reserves	137,003	103,809	-	-	-	-	137,003	103,809
Total equity	609,918	563,688	-	-	-	-	609,918	563,688
<u>Liabilities</u>								
Insurance contract liabilities	-	-	1,995,032	1,930,127	(41,334)	(41,504)	1,953,698	1,888,623
Insurance claims liabilities	-	-	34,039	35,212	-	-	34,039	35,212
Insurance payables	-	-	20,692	14,634	-	-	20,692	14,634
Lease liabilities	-	-	10,440	11,511	-	-	10,440	11,511
Other financial liabilities	-	-	8,151	7,554	-	-	8,151	7,554
Other payables	1,111	741	298,451	265,907	(234,704)	(193,242)	64,858	73,406
Deferred tax liabilities	42,519	33,128	11,877	10,311	-	-	54,396	43,439
Total liabilities	43,630	33,869	2,378,682	2,275,256	(276,038)	(234,746)	2,146,274	2,074,379
Total equity, policyholders' funds and liabilities	653,548	597,557	2,378,682	2,275,256	(276,038)	(234,746)	2,756,192	2,638,067

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21 **INSURANCE FUNDS (CONTINUED)**

Statement of comprehensive income by Funds for the six months period ended 30 June 2020

	Shareholders' Fund		Life Fund		Elimination		Total	
	6 months period ended 30.6.2020	6 months period ended 30.6.2019	6 months period ended 30.6.2020	6 months period ended 30.6.2019	6 months period ended 30.6.2020	6 months period ended 30.6.2019	6 months period ended 30.6.2020	6 months period ended 30.6.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
Gross premiums	-	-	340,668	357,251	-	-	340,668	357,251
Premiums ceded to reinsurers	-	-	(34,839)	(32,901)	-	-	(34,839)	(32,901)
Net premiums	-	-	305,829	324,350	-	-	305,829	324,350
Investment income	8,468	9,120	41,301	34,753	-	-	49,769	43,873
Net fair value gains	6,674	11,548	15,087	94,654	170	(1,641)	21,931	104,561
Other operating income	-	-	3,399	1,917	-	-	3,399	1,917
Other income	15,142	20,668	59,787	131,324	170	(1,641)	75,099	150,351
Gross benefits and claims paid	-	-	(130,596)	(128,022)	-	-	(130,596)	(128,022)
Claims ceded to reinsurers	-	-	20,370	25,631	-	-	20,370	25,631
Gross change in contract liabilities	-	-	(64,905)	(203,867)	(170)	1,641	(65,075)	(202,226)
Change in contract liabilities ceded to reinsurers	-	-	(43,559)	19,060	-	-	(43,559)	19,060
Net claims	-	-	(218,690)	(287,198)	(170)	1,641	(218,860)	(285,557)

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21 **INSURANCE FUNDS (CONTINUED)**

Statement of comprehensive income by Funds for the six months period ended 30 June 2020 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>
	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>
	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>								
Net realised losses	-	-	(5)	(4)	-	-	(5)	(4)
Commission expenses	-	-	(32,871)	(34,853)	-	-	(32,871)	(34,853)
Management expenses	(640)	(847)	(66,626)	(73,628)	-	-	(67,266)	(74,475)
Other operating expenses	(371)	(299)	(28)	(15)	-	-	(399)	(314)
Investment expenses	-	-	(1,134)	(711)	-	-	(1,134)	(711)
Finance cost	-	-	(203)	(13)	-	-	(203)	(13)
Other expenses	(1,011)	(1,146)	(100,867)	(109,224)	-	-	(101,878)	(110,370)
Profit before taxation	14,131	19,522	46,059	59,252	-	-	60,190	78,774
Tax expense attributable to policyholders and unitholders	-	-	(4,566)	(10,191)	-	-	(4,566)	(10,191)
Transfer from life fund	41,493	49,061	(41,493)	(49,061)	-	-	-	-
Profit before taxation attributable to Shareholders	55,624	68,583	-	-	-	-	55,624	68,583

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21 **INSURANCE FUNDS (CONTINUED)**

Statement of comprehensive income by Funds for the six months period ended 30 June 2020 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>
	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>
	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>								
Profit before taxation attributable to Shareholders	55,624	68,583	-	-	-	-	55,624	68,583
Taxation *	(9,394)	(12,331)	(4,566)	(10,191)	-	-	(13,960)	(22,522)
Tax expense attributable to policyholders and unitholders	-	-	4,566	10,191	-	-	4,566	10,191
Tax expense attributable to Shareholders	(9,394)	(12,331)	-	-	-	-	(9,394)	(12,331)
Net profit for the financial period	<u>46,230</u>	<u>56,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,230</u>	<u>56,252</u>

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

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21 **INSURANCE FUNDS (CONTINUED)**

Statement of comprehensive income by Funds for the six months period ended 30 June 2020 (continued)

<u>Company</u>	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>
	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>
	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross premiums	-	-	340,668	357,251	-	-	340,668	357,251
Premiums ceded to reinsurers	-	-	(34,839)	(32,901)	-	-	(34,839)	(32,901)
Net premiums	-	-	305,829	324,350	-	-	305,829	324,350
Investment income	9,653	10,201	41,301	34,753	-	-	50,954	44,954
Net fair value gains	5,064	10,051	15,087	94,654	170	(1,641)	20,321	103,064
Other operating income	-	-	3,399	1,917	-	-	3,399	1,917
Other income	14,717	20,252	59,787	131,324	170	(1,641)	74,674	149,935
Gross benefits and claims paid	-	-	(130,596)	(128,022)	-	-	(130,596)	(128,022)
Claims ceded to reinsurers	-	-	20,370	25,631	-	-	20,370	25,631
Gross change in contract liabilities	-	-	(64,905)	(203,867)	(170)	1,641	(65,075)	(202,226)
Change in contract liabilities ceded to reinsurers	-	-	(43,559)	19,060	-	-	(43,559)	19,060
Net claims	-	-	(218,690)	(287,198)	(170)	1,641	(218,860)	(285,557)

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21 **INSURANCE FUNDS (CONTINUED)**

Statement of comprehensive income by Funds for the six months period ended 30 June 2020 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>6 months period ended 30.6.2020</u>	<u>6 months period ended 30.6.2019</u>	<u>6 months period ended 30.6.2020</u>	<u>6 months period ended 30.6.2019</u>	<u>6 months period ended 30.6.2020</u>	<u>6 months period ended 30.6.2019</u>	<u>6 months period ended 30.6.2020</u>	<u>6 months period ended 30.6.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Company</u>								
Net realised losses	-	-	(5)	(4)	-	-	(5)	(4)
Commission expenses	-	-	(32,871)	(34,853)	-	-	(32,871)	(34,853)
Management expenses	(215)	(431)	(66,626)	(73,628)	-	-	(66,841)	(74,059)
Other operating expenses	(371)	(299)	(28)	(15)	-	-	(399)	(314)
Investment expenses	-	-	(1,134)	(711)	-	-	(1,134)	(711)
Finance cost	-	-	(203)	(13)	-	-	(203)	(13)
Other expenses	(586)	(730)	(100,867)	(109,224)	-	-	(101,453)	(109,954)
Profit before taxation	14,131	19,522	46,059	59,252	-	-	60,190	78,774
Tax expense attributable to policyholders and unitholders	-	-	(4,566)	(10,191)	-	-	(4,566)	(10,191)
Transfer from life fund	41,493	49,061	(41,493)	(49,061)	-	-	-	-
Profit before taxation attributable to Shareholders	55,624	68,583	-	-	-	-	55,624	68,583

Company No.

199001005930 (197499-U)

SUN LIFE MALAYSIA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

21 **INSURANCE FUNDS (CONTINUED)**

Statement of comprehensive income by Funds for the six months period ended 30 June 2020 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>	<u>6 months</u>
	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>	<u>period ended</u>
	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Company</u>								
Profit before taxation attributable to Shareholders	55,624	68,583	-	-	-	-	55,624	68,583
Taxation *	(9,394)	(12,331)	(4,566)	(10,191)	-	-	(13,960)	(22,522)
Tax expense attributable to policyholders and unitholders	-	-	4,566	10,191	-	-	4,566	10,191
Tax expense attributable to Shareholders	(9,394)	(12,331)	-	-	-	-	(9,394)	(12,331)
Net profit for the financial period	<u>46,230</u>	<u>56,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,230</u>	<u>56,252</u>

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