

Registration No.

200501012215 (689263-M)

**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

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Registration No.

200501012215 (689263-M)

**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2023**

	Note	30.6.2023		31.12.2022		1.1.2022	
		Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*
<b>ASSETS</b>							
Property and equipment		-	1,724	-	1,656	-	330
Intangible assets		-	18,546	-	19,953	-	23,101
Right-of-use assets		-	45	-	79	-	11
Available-for-sale financial assets	12	-	-	1,435,569	1,933,485	1,173,966	1,604,377
Fair value through other comprehensive income financial assets	12	1,705,555	2,234,369	-	-	-	-
Fair value through profit or loss financial assets	12	670,588	677,512	612,332	617,961	653,626	657,604
Financing and receivables		149,117	174,059	149,266	181,675	106,227	142,260
Retakaful contracts assets	13	53,455	53,172	47,568	47,285	46,129	45,846
Takaful contracts assets	13	154,651	353,603	157,078	355,544	156,217	366,750
Other receivables		7,956	11,318	67,754	71,452	6,607	9,181
Deferred tax assets		-	-	6,542	-	-	-
Current tax assets		173	-	225	-	-	-
Cash and bank balances		11,648	14,627	16,274	17,292	10,651	12,467
<b>TOTAL ASSETS</b>		<b>2,753,143</b>	<b>3,538,975</b>	<b>2,492,608</b>	<b>3,246,382</b>	<b>2,153,423</b>	<b>2,861,927</b>

\* Restated due to adoption of MFRS 17

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**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023 (CONTINUED)**

	Note	30.6.2023		31.12.2022		1.1.2022	
		Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*
<b>EQUITY AND LIABILITIES</b>							
Share capital		-	240,000	-	240,000	-	240,000
Retained earnings		-	417,978	-	400,707	-	391,279
Fair value through other comprehensive income/ Available-for-sale reserve		-	(2,240)	-	(7,118)	-	1,160
<b>TOTAL EQUITY</b>		<b>-</b>	<b>655,738</b>	<b>-</b>	<b>633,589</b>	<b>-</b>	<b>632,439</b>
<b>LIABILITIES</b>							
Retakaful contracts liabilities	13	3,968	3,968	1,651	1,651	545	545
Takaful contracts liabilities	13	2,641,002	2,749,615	2,381,698	2,468,655	2,098,474	2,098,835
Lease liabilities		-	46	-	80	-	12
Other payables		105,843	103,067	109,259	124,712	47,913	72,517
Deferred tax liabilities		-	22,016	-	10,523	5,971	55,035
Current tax liabilities		2,330	4,525	-	7,172	520	2,544
<b>TOTAL LIABILITIES</b>		<b>2,753,143</b>	<b>2,883,237</b>	<b>2,492,608</b>	<b>2,612,793</b>	<b>2,153,423</b>	<b>2,229,488</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,753,143</b>	<b>3,538,975</b>	<b>2,492,608</b>	<b>3,246,382</b>	<b>2,153,423</b>	<b>2,861,927</b>

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

	6 months period ended 30.6.2023		6 months period ended 30.6.2022	
	Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*
Takaful revenue	237,394	205,333	167,575	128,577
Takaful service expense	(239,540)	(185,499)	(182,124)	(155,516)
Takaful service result before retakaful certificates held	(2,146)	19,834	(14,549)	(26,939)
Allocation of retakaful contributions	(44,048)	(44,048)	(35,430)	(35,430)
Amounts recoverable from retakaful operators for incurred claims	43,951	43,972	35,366	35,394
Net expense from retakaful certificates held	(97)	(76)	(64)	(36)
Takaful service result	(2,243)	19,758	(14,613)	(26,975)
Investment income	42,446	53,231	35,255	44,190
Net realised loss	(32)	(32)	(225)	(225)
Net fair value gains/(losses)	59,533	59,239	(119,879)	(121,192)
Net investment income	101,947	112,438	(84,849)	(77,227)
Takaful finance (expenses)/income for takaful certificates issued	(93,938)	(99,979)	89,988	88,161
Retakaful finance income for retakaful certificates held	97	97	64	64
Net takaful financial result	(93,841)	(99,882)	90,052	88,225
Net investment result	8,106	12,556	5,203	10,998
Other operating income	34	-	-	-
Other operating expenses	-	(366)	-	(472)
Other finance cost	-	(1)	-	(1)
Other income/(expenses)	34	(367)	-	(473)

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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)**

	6 months period ended 30.6.2023		6 months period ended 30.6.2022	
	Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*
Profit/(loss) before taxation	5,897	31,947	(9,410)	(16,450)
Tax (expense)/credit attributable to participants	(5,897)	(5,897)	9,410	9,410
Profit/(loss) before taxation attributable to Shareholders	-	26,050	-	(7,040)
Taxation	(5,897)	(12,149)	9,410	12,365
Tax expense/(credit) attributable to participants	5,897	5,897	(9,410)	(9,410)
Tax (expense)/credit attributable to Shareholders	-	(6,252)	-	2,955
Zakat	-	(554)	-	-
Net profit/(loss) for the financial period	-	19,244	-	(4,085)

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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)**

	6 months period ended 30.6.2023		6 months period ended 30.6.2022	
	Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss:				
Fair value change on fair value through other comprehensive income financial assets:				
- Revaluation	47,932	58,332	(65,201)	(83,910)
- Transfer to profit or loss upon disposal	(207)	(207)	28	28
- Gross fair value changes	47,725	58,125	(65,173)	(83,882)
- Deferred taxation	(3,809)	(6,305)	5,214	9,704
- Net fair value changes	43,916	51,820	(59,959)	(74,178)
Changes in takaful contract liabilities rising from unrealised net fair value changes	(43,916)	(43,916)	59,959	59,959
Other comprehensive income/(loss) for the financial period, net of tax	-	7,904	-	(14,219)
Total comprehensive income/(loss) for the financial period	-	27,148	-	(18,304)
Basic earnings per share (sen)	-	13.75	-	(2.92)

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

	Non-distributable		Retained earnings	Total
	Share capital	FVOCI/ AFS* reserve		
	RM'000	RM'000	RM'000	RM'000
At 31 December 2021 (as previously reported)	240,000	1,160	234,858	476,018
Impact of first time adoption of MFRS 17 (Note 17)	-	-	156,421	156,421
At 1 January 2022 (restated)	240,000	1,160	391,279	632,439
Total comprehensive (loss)/income for the financial period (restated)	-	(8,278)	9,428	1,150
As at 31 December 2022 (restated)/1 January 2023	240,000	(7,118)	400,707	633,589
Impact of first time adoption of MFRS 9 (Note 17)	-	(3,026)	3,027	1
At 1 January 2023 (restated)	240,000	(10,144)	403,734	633,590
Dividend paid	-	-	(5,000)	(5,000)
Total comprehensive income for the financial period	-	7,904	19,244	27,148
As at 30 June 2023	240,000	(2,240)	417,978	655,738

\* FVOCI and AFS refer to fair value through other comprehensive income and available-for-sale.



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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

	6 months period ended 30.6.2023 RM'000	6 months period ended 30.6.2022 RM'000 Restated*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit/(loss) for the financial period	19,244	(4,085)
Adjustments for:		
Depreciation of property and equipment	47	-
Amortisation of intangible assets	2,561	2,291
Depreciation of right-of-use assets	34	30
Amortisation of premiums – net	1,051	1,283
Realised loss on disposal of financial assets	32	225
Profit income	(48,635)	(37,552)
Dividend income	(5,710)	(7,921)
Expected credit loss on investments at fair value through other comprehensive income	63	-
Net fair value (gains)/losses	(59,239)	121,192
Zakat	554	-
Finance cost	1	1
Taxation	12,149	(12,365)
(Loss)/profit from operations before changes in operating assets and liabilities	(77,848)	63,099
Proceeds from disposal and maturity of investments	75,182	76,765
Purchase of investments	(315,778)	(270,935)
Decrease/(increase) in other receivables	56,337	(14,758)
Increase in net takaful contracts liabilities	272,577	140,240
Decrease/(increase) in financing and receivables	7,618	(23,951)
Increase in net retakaful contracts assets	(3,570)	(17,033)
(Decrease)/increase in other payables	(54,770)	14,460
	(40,252)	(32,113)
Finance cost of leases paid	(1)	(1)
Income tax paid	(5,775)	(4,177)
Zakat paid	(1,136)	-
Profit income received	44,949	36,118
Dividend income received	5,854	7,980
Net cash generated from operating activities	3,639	7,807

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**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)**

	6 months period ended 30.6.2023 <u>RM'000</u>	6 months period ended 30.6.2022 <u>RM'000</u> Restated*
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,143)	(714)
Purchase of intangible assets	(127)	(273)
Net cash used in investing activities	<u>(1,270)</u>	<u>(987)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease liabilities	(34)	(68)
Dividend paid	(5,000)	-
Net cash used in financing activities	<u>(5,034)</u>	<u>(68)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,665)</b>	<b>6,752</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>17,292</b>	<b>12,467</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b><u>14,627</u></b>	<b><u>19,219</u></b>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>14,627</u>	<u>19,219</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

**1 CORPORATE INFORMATION**

The Company is engaged principally in the underwriting of Family Takaful, including investment-linked business. There were no significant changes in the nature of these activities of the Company during the six months period ended 30 June 2023.

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

The Company's registered office is at the 11<sup>th</sup> Floor, No. 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The Company's principal place of business is at the 8<sup>th</sup> 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 Company's unaudited interim financial statements 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 Company's audited financial statements for the financial year ended 31 December 2022.

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

New standard that is effective and was adopted

The amendments and improvements to published standards and interpretations that the Company have adopted for the first time for the financial year beginning on or after 1 January 2023 are as follows:

- (i) MFRS 17 Insurance Contracts
- (ii) Amendments to MFRS 17 Insurance Contracts
- (iii) Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17 Insurance Contracts)
- (iv) MFRS 9 Financial Instruments
- (v) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on “Disclosure of Accounting Policies” and “Definition of Accounting Estimates”

The adoption of these amendments did not have any material impact to the Group’s and the Company’s financial statements, other than as disclosed in Note 17 of the effects on adoption of MFRS 17 Insurance Contracts and MFRS 9 Financial Instruments.

(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 after 1 January 2023. None of these are expected to have a significant effect on the financial statements of the Company, except for the following as set out below:

- Amendments to MFRS 101 “Classification of liabilities as current or non-current” (effective 1 January 2024) 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.

There is no financial impact of this amendment to the Company.

**3 SEASONALITY OF OPERATIONS**

The Company’s business operations were not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2023.

**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 2023.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)**

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

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence during the six months period ended 30 June 2023.

**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 2023.

**7 DIVIDENDS PAID**

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

For the financial year ended 31 December 2022:

	RM'000
Dividend paid on 30 June 2023:	
- Single-Tier Final Dividend in respect of the Ordinary Shares of 3.75 sen per share	4,999
- Single-Tier Final Dividend in respect of the Islamic Perpetual Non-cumulative Preference Shares of 0.8 sen per share	1
	<hr/>
	5,000
	<hr/>

**8 CONTINGENT LIABILITIES**

There were no contingent liabilities that arose during the six months period ended 30 June 2023.

**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 2023.

**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 2023.

**11 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY**

There were no changes in the composition of the Company during the six months period ended 30 June 2023.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

12 FINANCIAL ASSETS

	Family Takaful Fund RM'000	Company RM'000
<u>30.6.2023</u>		
Government Investment Issues	291,774	568,462
Cagamas Sukuk	10,234	10,234
Unquoted Sukuk	1,403,547	1,655,673
Quoted equity securities	83,410	90,334
Unit trust funds	587,178	587,178
Total	<u>2,376,143</u>	<u>2,911,881</u>
 <u>31.12.2022 (Restated)</u>		
Government Investment Issues	251,214	501,679
Cagamas Sukuk	10,203	10,203
Unquoted Sukuk	1,174,152	1,421,603
Quoted equity securities	75,318	80,947
Unit trust funds	537,014	537,014
Total	<u>2,047,901</u>	<u>2,551,446</u>
 <u>1.1.2022 (Restated)</u>		
Government Investment Issues	192,833	401,583
Cagamas Sukuk	10,509	10,509
Unquoted Sukuk	970,624	1,192,285
Quoted equity securities	111,075	115,053
Unit trust funds	542,551	542,551
Total	<u>1,827,592</u>	<u>2,261,981</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)**

12 FINANCIAL ASSETS (CONTINUED)

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

	Family Takaful Fund RM'000	Company RM'000
<u>30.6.2023</u>		
FVOCI	1,705,555	2,234,369
FVTPL – designated upon initial recognition	670,588	677,512
Total	<u>2,376,143</u>	<u>2,911,881</u>
<u>31.12.2022 (Restated)</u>		
AFS	1,435,569	1,933,485
FVTPL – designated upon initial recognition	612,332	617,961
Total	<u>2,047,901</u>	<u>2,551,446</u>
<u>1.1.2022 (Restated)</u>		
AFS	1,173,966	1,604,377
FVTPL – designated upon initial recognition	653,626	657,604
Total	<u>1,827,592</u>	<u>2,261,981</u>

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

	Family Takaful Fund RM'000	Company RM'000
<u>30.6.2023</u>		
FVOCI	<u>1,685,496</u>	<u>2,184,020</u>
<u>31.12.2022 (Restated)</u>		
AFS	<u>1,405,397</u>	<u>1,903,313</u>
<u>1.1.2022 (Restated)</u>		
AFS	<u>1,040,045</u>	<u>1,457,718</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(a) FVOCI/AFS

	Family Takaful Fund	Company
	RM'000	RM'000
<u>30.6.2023</u>		
Government Investment Issues	291,774	568,462
Cagamas Sukuk	10,234	10,234
Unquoted Sukuk	1,403,547	1,655,673
Total	<u>1,705,555</u>	<u>2,234,369</u>
<u>31.12.2022 (Restated)</u>		
Government Investment Issues	251,214	501,679
Cagamas Sukuk	10,203	10,203
Unquoted Sukuk	1,174,152	1,421,603
Total	<u>1,435,569</u>	<u>1,933,485</u>
<u>1.1.2022 (Restated)</u>		
Government Investment Issues	192,833	401,583
Cagamas Sukuk	10,509	10,509
Unquoted Sukuk	970,624	1,192,285
Total	<u>1,173,966</u>	<u>1,604,377</u>

(b) FVTPL – designated upon initial recognition

	Family Takaful Fund	Company
	RM'000	RM'000
<u>30.6.2023</u>		
Quoted equity securities	83,410	90,334
Unit trust funds	587,178	587,178
Total	<u>670,588</u>	<u>677,512</u>



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12 FINANCIAL ASSETS (CONTINUED)

(b) FVTPL – designated upon initial recognition (continued)

	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
<u>31.12.2022 (Restated)</u>		
Quoted equity securities	75,318	80,947
Unit trust funds	537,014	537,014
Total	<u>612,332</u>	<u>617,961</u>
 <u>1.1.2022 (Restated)</u>		
Quoted equity securities	111,075	115,053
Unit trust funds	542,551	542,551
Total	<u>653,626</u>	<u>657,604</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	FVOCI	FVTPL	
	Family Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
At 1 January 2023	1,435,569	612,332	2,551,446
Purchases	239,923	52,407	315,778
Maturities	(10,031)	(57,119)	(10,031)
Disposals	(10,214)	-	(68,760)
Fair value gains recorded in:			
Profit or loss	-	62,968	62,973
Other comprehensive income	47,605	-	57,997
Elimination of fair value loss from:			
Shareholders' fund investment in investment-linked funds	-	-	(154)
Movement in accrued profit	3,194	-	3,683
Amortisation adjustments	(491)	-	(1,051)
At 30 June 2023	<u>1,705,555</u>	<u>670,588</u>	<u>2,911,881</u>

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12 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	Available-for- sale	FVTPL	
	Family Takaful Fund	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
At 1 January 2022	1,173,966	653,626	2,261,981
Purchases	428,926	201,486	787,924
Maturities	(30,099)	-	(85,974)
Disposals	(113,346)	(113,725)	(248,337)
Fair value losses recorded in:			
Profit or loss	-	(129,055)	(129,770)
Other comprehensive income	(25,592)	-	(36,484)
Elimination of fair value loss from:			
Shareholders' fund investment in investment-linked funds	-	-	852
Movement in accrued profit	2,291	-	2,500
Amortisation adjustments	(577)	-	(1,246)
At 31 December 2022	<u>1,435,569</u>	<u>612,332</u>	<u>2,551,446</u>

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12 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy

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

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

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

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

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

There are no movements in Levels 1 and 2 of the fair value hierarchy during the six months period ended 30 June 2023.

The following table presents the Company's financial assets that are carried at fair value as at 30 June 2023:

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
<u>30.6.2023</u>			
<u>Family Takaful Fund</u>			
<u>FVOCI</u>			
Government Investment Issues	-	291,774	291,774
Cagamas Sukuk	-	10,234	10,234
Unquoted Sukuk	-	1,403,547	1,403,547
<u>FVTPL – designated upon initial recognition</u>			
Quoted equity securities	83,410	-	83,410
Unit trust funds	587,178	-	587,178
	<u>670,588</u>	<u>1,705,555</u>	<u>2,376,143</u>

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12 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>30.6.2023 (continued)</u>			
<u>Company</u>			
<u>FVOCI</u>			
Government Investment Issues	-	568,462	568,462
Cagamas Sukuk	-	10,234	10,234
Unquoted Sukuk	-	1,655,673	1,655,673
<u>FVTPL – designated upon initial recognition</u>			
Quoted equity securities	90,334	-	90,334
Unit trust funds	587,178	-	587,178
	<u>677,512</u>	<u>2,234,369</u>	<u>2,911,881</u>
<u>31.12.2022 (Restated)</u>			
<u>Family Takaful Fund</u>			
<u>AFS</u>			
Government Investment Issues	-	251,214	251,214
Cagamas Sukuk	-	10,203	10,203
Unquoted Sukuk	-	1,174,152	1,174,152
<u>FVTPL – designated upon initial recognition</u>			
Quoted equity securities	75,318	-	75,318
Unit trust funds	537,014	-	537,014
	<u>612,332</u>	<u>1,435,569</u>	<u>2,047,901</u>

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12 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>31.12.2022 (Restated) (continued)</u>			
<u>Company</u>			
<u>AFS</u>			
Government Investment Issues	-	501,679	501,679
Cagamas Sukuk	-	10,203	10,203
Unquoted Sukuk	-	1,421,603	1,421,603
<u>FVTPL – designated upon initial recognition</u>			
Quoted equity securities	80,947	-	80,947
Unit trust funds	537,014	-	537,014
	<u>617,961</u>	<u>1,933,485</u>	<u>2,551,446</u>
<u>1.1.2022 (Restated)</u>			
<u>Family Takaful Fund</u>			
<u>AFS</u>			
Government Investment Issues	-	192,833	192,833
Cagamas Sukuk	-	10,509	10,509
Unquoted Sukuk	-	970,624	970,624
<u>FVTPL – designated upon initial recognition</u>			
Quoted equity securities	111,075	-	111,075
Unit trust funds	542,551	-	542,551
	<u>653,626</u>	<u>1,173,966</u>	<u>1,827,592</u>
<u>Company</u>			
<u>AFS</u>			
Government Investment Issues	-	401,583	401,583
Cagamas Sukuk	-	10,509	10,509
Unquoted Sukuk	-	1,192,285	1,192,285
<u>FVTPL – designated upon initial recognition</u>			
Quoted equity securities	115,053	-	115,053
Unit trust funds	542,551	-	542,551
	<u>657,604</u>	<u>1,604,377</u>	<u>2,261,981</u>

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13 TAKAFUL AND RETAKAFUL CONTRACTS

The breakdown of groups of takaful contracts issued, and retakaful contracts held, that are in an asset position and those in a liability position is set out in the table below:

	30.6.2023			31.12.2022 (Restated)			1.1.2022 ((Restated)		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>									
Takaful contracts issued (Note 13.1.1)	(154,651)	2,598,805	2,444,154	(155,418)	2,381,698	2,226,280	(156,217)	2,076,590	1,920,373
FVOCI/AFS reserves	-	42,197	42,197	(1,660)	-	(1,660)	-	21,884	21,884
Takaful contracts (assets)/liabilities	(154,651)	2,641,002	2,486,351	(157,078)	2,381,698	2,224,620	(156,217)	2,098,474	1,942,257
Retakaful contracts held (Note 13.1.2)	(53,455)	3,968	(49,487)	(47,568)	1,651	(45,917)	(46,129)	545	(45,584)
Takaful and retakaful contracts (assets)/liabilities	(208,106)	2,644,970	2,436,864	(204,646)	2,383,349	2,178,703	(202,346)	2,099,019	1,896,673
<u>Company</u>									
Takaful contracts issued (Note 13.1.1)	(353,603)	2,707,418	2,353,815	(343,896)	2,468,655	2,124,759	(366,750)	2,087,791	1,721,041
FVOCI/AFS reserves	-	42,197	42,197	(11,648)	-	(11,648)	-	11,044	11,044
Takaful ontracts (assets)/liabilities	(353,603)	2,749,615	2,396,012	(355,544)	2,468,655	2,113,111	(366,750)	2,098,835	1,732,085
Retakaful contracts held (Note 13.1.2)	(53,172)	3,968	(49,204)	(47,285)	1,651	(45,634)	(45,846)	545	(45,301)
Takaful and retakaful contracts (assets)/liabilities	(406,775)	2,753,583	2,346,808	(402,829)	2,470,306	2,067,477	(412,596)	2,099,380	1,686,784

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims.

13.1.1 Takaful contracts issued

The roll-forward of the net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below:

	Liabilities for remaining coverage		Liabilities for incurred claims		30.6.2023
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>					
At 1 January 2023					
Takaful contract liabilities	1,925,233	-	456,458	7	2,381,698
Takaful contract assets	(399)	-	(155,019)	-	(155,418)
Net takaful contract liabilities as at 1 January	1,924,834	-	301,439	7	2,226,280
Takaful revenue:					
Expected incurred claims and other takaful service result	(177,813)	-	-	-	(177,813)
Recovery of takaful acquisition cash flows	(33,208)	-	-	-	(33,208)
Contracts under PAA	(454)	-	-	-	(454)
Other amount including experience adjustments	(25,919)	-	-	-	(25,919)
	(237,394)	-	-	-	(237,394)
Takaful service expense:					
Incurred claims and other expenses	-	-	206,110	18	206,128
Amortisation of takaful acquisition cash flows	33,412	-	-	-	33,412
	33,412	-	206,110	18	239,540



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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.1 Takaful contracts issued (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims		30.6.2023
	Excluding Loss component RM'000	Loss component RM'000	Estimates of the present value of future cash fows RM'000	Risk adjustment RM'000	Total RM'000
<u>Family Takaful Fund</u>					
Investment components	(85,148)	-	85,148	-	-
Takaful service result	(289,130)	-	291,258	18	2,146
Takaful finance expenses	93,938	-	-	-	93,938
Total changes in the statement of profit or loss	(195,192)	-	291,258	18	96,084
Cash flows					
Contributions received	485,553	-	-	-	485,553
Claims and other expenses paid including investment components	-	-	(287,853)	(36)	(287,889)
Total cash flows	485,553	-	(287,853)	(36)	197,664
Other movements	(75,874)	-	-	-	(75,874)
Net takaful contract liabilities/(assets) as at 30 June	2,139,321	-	304,844	(11)	2,444,154
At 30 June 2023					
Takaful contract liabilities	2,139,958	-	458,858	(11)	2,598,805
Takaful contract assets	(637)	-	(154,014)	-	(154,651)
Net takaful contract liabilities/(assets) as at 30 June	2,139,321	-	304,844	(11)	2,444,154

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.1 Takaful contracts issued (continued)

	30.6.2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2022					
Takaful contract liabilities	1,971,694	40,345	456,609	7	2,468,655
Takaful contract assets	(188,881)	-	(155,015)	-	(343,896)
Net takaful contract liabilities (as previously reported)	1,782,813	40,345	301,594	7	2,124,759
Elimination of investment in investment-linked funds	(9,988)	-	-	-	(9,988)
Net takaful contract liabilities as at 1 January 2023 (restated)	1,772,825	40,345	301,594	7	2,114,771
Takaful revenue:					
Expected incurred claims and other takaful service result	(103,951)	-	-	-	(103,951)
Change in risk adjustment for non-financial risk	(13,864)	-	-	-	(13,864)
CSM recognised for service provided	(28,942)	-	-	-	(28,942)
Recovery of takaful acquisition cash flows	(40,714)	-	-	-	(40,714)
Contracts under PAA	(454)	-	-	-	(454)
Other amount including experience adjustments	(17,408)	-	-	-	(17,408)
	(205,333)	-	-	-	(205,333)

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.1 Takaful contracts issued (continued)

	30.6.2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful service expense:					
Incurring claims and other expenses	-	-	139,974	18	139,992
Amortisation of takaful acquisition cash flows	40,773	-	-	-	40,773
Losses on onerous contracts and reversals of those losses	-	4,734	-	-	4,734
	<u>40,773</u>	<u>4,734</u>	<u>139,974</u>	<u>18</u>	<u>185,499</u>
Investment components	(85,181)	-	85,181	-	-
Takaful service result	(249,741)	4,734	225,155	18	(19,834)
Takaful finance expenses	100,258	(281)	-	-	99,977
Total changes in the statement of profit or loss	<u>(149,483)</u>	<u>4,453</u>	<u>225,155</u>	<u>18</u>	<u>80,143</u>
Cash flows					
Contributions received	509,688	-	-	-	509,688
Claims and other expenses paid including investment components	-	-	(221,752)	(36)	(221,788)
Total cash flows	509,688	-	(221,752)	(36)	287,900
Other movements	(128,999)	-	-	-	(128,999)
Net takaful contract liabilities/(assets) as at 30 June	<u>2,004,031</u>	<u>44,798</u>	<u>304,997</u>	<u>(11)</u>	<u>2,353,815</u>
At 30 June 2023					
Takaful contract liabilities	2,203,647	44,798	458,984	(11)	2,707,418
Takaful contract assets	(199,616)	-	(153,987)	-	(353,603)
Net takaful contract liabilities/(assets) as at 30 June	<u>2,004,031</u>	<u>44,798</u>	<u>304,997</u>	<u>(11)</u>	<u>2,353,815</u>

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.1 Takaful contracts issued (continued)

	31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding Loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000
<u>Family Takaful Fund</u>					
At 1 January 2022					
Takaful contract liabilities	1,636,243	-	440,347	-	2,076,590
Takaful contract assets	869	-	(157,086)	-	(156,217)
Net takaful contract liabilities as at 1 January	1,637,112	-	283,261	-	1,920,373
Takaful revenue:					
Expected incurred claims and other takaful service result	(357,322)	-	-	-	(357,322)
Recovery of takaful acquisition cash flows	(21,234)	-	-	-	(21,234)
Contracts under PAA	(771)	-	-	-	(771)
Other amount including experience adjustments	7,741	-	-	-	7,741
	(371,586)	-	-	-	(371,586)
Takaful service expense:					
Incurred claims and other expenses	-	-	372,425	-	372,425
Amortisation of takaful acquisition cash flows	21,418	-	-	-	21,418
	21,418	-	372,425	-	393,843

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## 13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

## 13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

## 13.1.1 Takaful contracts issued (continued)

	31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding Loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000
<u>Family Takaful Fund</u>					
Investment components	(146,663)	-	146,663	-	-
Takaful service result	(496,831)	-	519,088	-	22,257
Takaful finance expenses	(84,780)	-	-	-	(84,780)
Total changes in the statement of profit or loss	(581,611)	-	519,088	-	(62,523)
Cash flows					
Contributions received	1,030,377	-	-	-	1,030,377
Claims and other expenses paid including investment components	-	-	(500,910)	7	(500,903)
Total cash flows	1,030,377	-	(500,910)	7	529,474
Other movements	(161,044)	-	-	-	(161,044)
Net takaful contract liabilities as at 31 December	1,924,834	-	301,439	7	2,226,280
At 31 December 2022					
Takaful contract liabilities	1,925,233	-	456,458	7	2,381,698
Takaful contract assets	(399)	-	(155,019)	-	(155,418)
Net takaful contract liabilities as at 31 December	1,924,834	-	301,439	7	2,226,280

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.1 Takaful contracts issued (continued)

	31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total RM'000
	Excluding Loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	
<u>Company</u>					
At 1 January 2022					
Takaful contract liabilities	1,646,078	1,180	440,533	-	2,087,791
Takaful contract assets	(209,776)	-	(156,975)	1	(366,750)
Net takaful contract liabilities as at 1 January	1,436,302	1,180	283,558	1	1,721,041
Takaful revenue:					
Expected incurred claims and other takaful service result	(215,942)	-	-	-	(215,942)
Change in risk adjustment for non-financial risk	(27,890)	-	-	-	(27,890)
CSM recognised for service provided	(22,079)	-	-	-	(22,079)
Recovery of takaful acquisition cash flows	(26,149)	-	-	-	(26,149)
Contracts under PAA	(771)	-	-	-	(771)
Other amount including experience adjustments	17,146	-	-	-	17,146
	(275,685)	-	-	-	(275,685)
Takaful service expense:					
Incurred claims and other expenses	-	-	246,187	-	246,187
Amortisation of takaful acquisition cash flows	26,190	-	-	-	26,190
Losses on onerous contracts and reversals of those losses	-	39,281	-	-	39,281
	26,190	39,281	246,187	-	311,658

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.1 Takaful contracts issued (continued)

	31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding Loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000
<u>Company</u>					
Investment components	(146,917)	-	146,917	-	-
Takaful service result	(396,412)	39,281	393,104	-	35,973
Takaful finance expenses	(83,391)	(116)	-	-	(83,507)
Total changes in the statement of profit or loss	(479,803)	39,165	393,104	-	(47,534)
Cash flows					
Contributions received	1,084,264	-	-	-	1,084,264
Claims and other expenses paid including investment components	-	-	(375,068)	6	(375,062)
Total cash flows	1,084,264	-	(375,068)	6	709,202
Other movements	(257,950)	-	-	-	(257,950)
Net takaful contract liabilities as at 31 December	1,782,813	40,345	301,594	7	2,124,759
At 31 December 2022					
Takaful contract liabilities	1,971,694	40,345	456,609	7	2,468,655
Takaful contract assets	(188,881)	-	(155,015)	-	(343,896)
Net takaful contract liabilities as at 31 December	1,782,813	40,345	301,594	7	2,124,759

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.2 Retakaful contracts held

The roll-forward of the net asset or liability for retakaful contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the family takaful fund, is disclosed in the table below:

	30.6.2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>					
At 1 January 2023					
Retakaful contract assets	(47,610)	-	95,178	-	47,568
Retakaful contract liabilities	(2,939)	-	1,288	-	(1,651)
Net retakaful contract (liabilities)/assets as at 1 January	(50,549)	-	96,466	-	45,917
Allocation of retakaful Contributions					
Expected recovery of takaful service expenses	(35,830)	-	-	-	(35,830)
Contracts under PAA	(3,945)	-	-	-	(3,945)
Other amount including experience adjustments	(4,273)	-	-	-	(4,273)
	(44,048)	-	-	-	(44,048)
Amounts recoverable from retakaful operators					
Amounts recoverable for claims and other expenses incurred	-	-	32,147	-	32,147
Changes in amount recoverable from liabilities for incurred claims	-	-	11,804	-	11,804
	-	-	43,951	-	43,951
Retakaful investment components	(16)	-	16	-	-
Net (expense)/income from retakaful certificates held	(44,064)	-	43,967	-	(97)
Retakaful finance income	97	-	-	-	97
Total changes in the statement of profit or loss	(43,967)	-	43,967	-	-



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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.2 Retakaful contracts held (continued)

	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2023					
<u>Family Takaful Fund</u>					
Cash flows					
Contributions paid	22,232	-	-	-	22,232
Claims and benefits recovered	-	-	(18,662)	-	(18,662)
Total cash flows	22,232	-	(18,662)	-	3,570
Net retakaful contract (liabilities)/assets as at 30 June	(72,284)	-	121,771	-	49,487
At 30 June 2023					
Retakaful contract assets	(73,050)	-	126,505	-	53,455
Retakaful contract liabilities	766	-	(4,734)	-	(3,968)
Net retakaful contract (liabilities)/assets as at 30 June	(72,284)	-	121,771	-	49,487

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## 13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

## 13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

## 13.1.2 Retakaful contracts held (continued)

	30.6.2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows		Total
<u>Company</u>	RM'000	RM'000	RM'000	Risk adjustment RM'000	RM'000
At 1 January 2023					
Retakaful contract assets	(47,610)	-	94,895	-	47,285
Retakaful contract liabilities	(2,939)	-	1,288	-	(1,651)
Net retakaful contract (liabilities)/assets as at 1 January	(50,549)	-	96,183	-	45,634
Allocation of retakaful contributions					
Expected recovery of takaful service expenses	(35,830)	-	-	-	(35,830)
Contracts under PAA	(3,945)	-	-	-	(3,945)
Other amount including experience adjustments	(4,273)	-	-	-	(4,273)
	(44,048)	-	-	-	(44,048)
Amounts recoverable from retakaful operators	-	-	32,168	-	32,168
Amounts recoverable for claims and other expenses incurred	-	-	-	-	-
Changes in amount recoverable from liabilities for incurred claims	-	-	11,804	-	11,804
	-	-	43,972	-	43,972
Retakaful investment components	(16)	-	16	-	-
Net (expense)/income from retakaful certificates held	(44,064)	-	43,988	-	(76)
Retakaful finance income	97	-	-	-	97
Total changes in the statement of profit or loss	(43,967)	-	43,988	-	21

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.2 Retakaful contracts held (continued)

	30.6.2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows		Total
	RM'000	RM'000	RM'000	Risk adjustment RM'000	RM'000
<u>Company</u>					
Cash flows					
Contributions paid	22,232	-	-	-	22,232
Claims and benefits recovered	-	-	(18,683)	-	(18,683)
<b>Total cash flows</b>	<b>22,232</b>	<b>-</b>	<b>(18,683)</b>	<b>-</b>	<b>3,549</b>
Net retakaful contract (liabilities)/assets as at 30 June	(72,284)	-	121,488	-	49,204
<b>At 30 June 2023</b>					
Retakaful contract assets	(73,050)	-	126,222	-	53,172
Retakaful contract liabilities	766	-	(4,734)	-	(3,968)
<b>Net retakaful contract (liabilities)/assets as at 30 June</b>	<b>(72,284)</b>	<b>-</b>	<b>121,488</b>	<b>-</b>	<b>49,204</b>

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.2 Retakaful contracts held (continued)

	31.12.2022 (Restated)				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Family Takaful Fund</u>					
At 1 January 2022					
Retakaful contract assets	(64,369)	-	110,498	-	46,129
Retakaful contract liabilities	(938)	-	393	-	(545)
Net retakaful contract (liabilities)/assets as at January 2022	(65,307)	-	110,891	-	45,584
Allocation of retakaful contributions					
Expected recovery of takaful service expenses	(69,247)	-	-	-	(69,247)
Contracts under PAA	(2,996)	-	-	-	(2,996)
Other amount including experience adjustments	(5,395)	-	-	-	(5,395)
	(77,638)	-	-	-	(77,638)
Amounts recoverable from retakaful operators					
Amounts recoverable for claims and other expenses incurred	-	-	69,966	-	69,966
Changes in amount recoverable from liabilities for incurred claims	-	-	7,517	-	7,517
	-	-	77,483	-	77,483
Retakaful investment components	(143)	-	143	-	-
Net (expense)/income from retakaful certificates held	(77,781)	-	77,626	-	(155)
Retakaful finance income	155	-	-	-	155
Total changes in the statement of profit or loss	(77,626)	-	77,626	-	-

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.2 Retakaful contracts held (continued)

	31.12.2022 (Restated)				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>					
Cash flows					
Contributions paid	92,384	-	-	-	92,384
Claims and benefits recovered	-	-	(92,051)	-	(92,051)
Total cash flows	92,384	-	(92,051)	-	333
Net retakaful contract (liabilities)/assets as at 31 December	(50,549)	-	96,466	-	45,917
<u>At 31 December 2022</u>					
Retakaful contract assets	(47,610)	-	95,178	-	47,568
Retakaful contract liabilities	(2,939)	-	1,288	-	(1,651)
Net retakaful contract (liabilities)/assets as at 31 December	(50,549)	-	96,466	-	45,917

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.2 Retakaful contracts held (continued)

Company	31.12.2022 (Restated)				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component RM'000	Loss-recovery component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000
At 1 January 2022					
Retakaful contract assets	(64,369)	-	110,215	-	45,846
Retakaful contract liabilities	(938)	-	393	-	(545)
Net retakaful contract assets/(liabilities) as at 1 January	(65,307)	-	110,608	-	45,301
Allocation of retakaful contributions					
Expected recovery of takaful service expenses	(69,247)	-	-	-	(69,247)
Contracts under PAA	(2,996)	-	-	-	(2,996)
Other amount including experience adjustments	(5,395)	-	-	-	(5,395)
	(77,638)	-	-	-	(77,638)
Amounts recoverable from retakaful operators					
Amounts recoverable for claims and other expenses incurred	-	-	70,019	-	70,019
Changes in amount recoverable from liabilities for incurred claims	-	-	7,516	-	7,516
	-	-	77,535	-	77,535
Retakaful investment components	(143)	-	143	-	-
Net (expense)/income from retakaful certificates held	(77,781)	-	77,678	-	(103)
Retakaful finance income	155	-	-	-	155
Total changes in the statement of profit or loss	(77,626)	-	77,678	-	52

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.1 Roll-forward of net asset or liability for takaful contracts issued and retakaful contracts held showing the liability for remaining coverage and the liability for incurred claims. (continued)

13.1.2 Retakaful contracts held (continued)

Company	31.12.2022 (Restated)				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component RM'000	Loss-recovery component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000
Cash flows					
Contributions paid	92,384	-	-	-	92,384
Claims and benefits recovered	-	-	(92,103)	-	(92,103)
Total cash flows	92,384	-	(92,103)	-	281
Net retakaful contract (liabilities)/assets as at 31 December	(50,549)	-	96,183	-	45,634
At 31 December 2022					
Retakaful contract assets	(47,610)	-	94,895	-	47,285
Retakaful contract liabilities	(2,939)	-	1,288	-	(1,651)
Net retakaful contract (liabilities)/assets as at 31 December	(50,549)	-	96,183	-	45,634

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach (“PAA”).

13.2.1 Takaful contract issued

The table below presents a roll-forward of the net asset or liability for takaful contracts issued showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for portfolios included in the family takaful fund.

	30.6.2023			
	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
<u>Family Takaful Fund</u>				
At 1 January 2023				
Takaful contract liabilities	2,378,489	-	-	2,378,489
Takaful contract assets	(155,277)	-	-	(155,277)
Net takaful contract liabilities as at 1 January	2,223,212	-	-	2,223,212
Changes that relate to current services				
Experience adjustments	(466)	-	-	(466)
	(466)	-	-	(466)
Takaful service result	(466)	-	-	(466)
Takaful finance expenses	93,938	-	-	93,938
Total changes in the statement of profit or loss	93,472	-	-	93,472
Cash flows				
Contributions received	484,413	-	-	484,413
Claims and other expenses paid including investment components	(286,076)	-	-	(286,076)
Total cash flows	198,337	-	-	198,337
Other movements	(75,304)	-	-	(75,304)
Net takaful contract liabilities as at 30 June	2,439,717	-	-	2,439,717
At 30 June 2023				
Takaful contract liabilities	2,594,343	-	-	2,594,343
Takaful contract assets	(154,626)	-	-	(154,626)
Net takaful contract liabilities as at 30 June	2,439,717	-	-	2,439,717



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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach (“PAA”). (continued)

13.2.1 Takaful contract issued (continued)

	30.6.2023			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000
At 31 December 2022				
Takaful contract liabilities	2,274,551	23,182	167,648	2,465,381
Takaful contract assets	(371,938)	16,497	11,722	(343,719)
Net takaful contract liabilities	1,902,613	39,679	179,370	2,121,662
Elimination of investment in investment-linked funds	(9,988)	-	-	(9,988)
Net takaful contract liabilities as at 1 January 2023 (restated)	1,892,625	39,679	179,370	2,111,674
Changes that relate to current services				
Contractual service margin recognised for services provided	-	-	(15,060)	(15,060)
Risk adjustment for the risk expired	-	(13,864)	-	(13,864)
Experience adjustments	13,553	-	(13,882)	(329)
	13,553	(13,864)	(28,942)	(29,253)
Changes that relate to future services				
Contract initially recognised in the period	(106,945)	13,723	91,446	(1,776)
Changes in estimates that adjust the contractual service margin	23,010	(86)	(22,924)	-
Changes in estimates that do not adjust the contractual service margin	10,621	1,017	-	11,638
	(73,314)	14,654	68,522	9,862
Takaful service result	(59,761)	790	39,580	(19,391)
Takaful finance expenses	91,905	1,274	4,302	97,481
Total changes in the statement of profit or loss	32,144	2,064	43,882	78,090

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach (“PAA”). (continued)

13.2.1 Takaful contract issued (continued)

	30.6.2023			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000
<b>Cash flows</b>				
Contributions received	508,546	-	-	508,546
Claims and other expenses paid including investment components	(217,037)	-	-	(217,037)
<b>Total cash flows</b>	291,509	-	-	291,509
Other movements	(138,010)	-	6,105	(131,905)
<b>Net takaful contract liabilities as at 30 June</b>	<b>2,078,268</b>	<b>41,743</b>	<b>229,357</b>	<b>2,349,368</b>
<b>At 30 June 2023</b>				
Takaful contract liabilities	2,464,604	24,718	213,624	2,702,946
Takaful contract assets	(386,336)	17,025	15,733	(353,578)
<b>Net takaful contract liabilities as at 30 June</b>	<b>2,078,268</b>	<b>41,743</b>	<b>229,357</b>	<b>2,349,368</b>

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach (“PAA”). (continued)

13.2.1 Takaful contract issued (continued)

	31.12.2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>				
At 1 January 2022				
Takaful contract liabilities	2,076,317	-	-	2,076,317
Takaful contract assets	(156,100)	-	-	(156,100)
Net takaful contract liabilities as at 1 January	1,920,217	-	-	1,920,217
Changes that relate to current services				
Experience adjustments	16,545	-	-	16,545
	16,545	-	-	16,545
Takaful service result	16,545	-	-	16,545
Takaful finance expenses	(84,780)	-	-	(84,780)
Total changes in the statement of profit or loss	(68,235)	-	-	(68,235)
Cash flows				
Contributions received	1,029,351	-	-	1,029,351
Claims and other expenses paid including investment components	(497,356)	-	-	(497,356)
Total cash flows	531,995	-	-	531,995
Other movements	(160,766)	-	-	(160,766)
Net takaful contract liabilities as at 31 December	2,223,211	-	-	2,223,211
At 31 December 2022				
Takaful contract liabilities	2,378,489	-	-	2,378,489
Takaful contract assets	(155,278)	-	-	(155,278)
Net takaful contract liabilities as at 31 December	2,223,211	-	-	2,223,211

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach ("PAA"). (continued)

13.2.1 Takaful contract issued (continued)

	31.12.2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000
At 1 January 2022				
Takaful contract liabilities	2,086,049	620	679	2,087,348
Takaful contract assets	(429,165)	36,441	26,075	(366,649)
Net takaful contract liabilities as at 1 January	<u>1,656,884</u>	<u>37,061</u>	<u>26,754</u>	<u>1,720,699</u>
Changes that relate to current services				
Contractual service margin recognised for services provided	-	-	(13,413)	(13,413)
Risk adjustment for the risk expired	-	(27,890)	-	(27,890)
Experience adjustments	31,129	-	(8,667)	22,462
	<u>31,129</u>	<u>(27,890)</u>	<u>(22,080)</u>	<u>(18,841)</u>
Changes that relate to future services				
Contract initially recognised in the period	(209,329)	30,439	176,958	(1,932)
Changes in estimates that adjust the contractual service margin	11,809	272	(12,081)	-
Changes in estimates that do not adjust the contractual service margin	46,817	(1,006)	-	45,811
	<u>(150,703)</u>	<u>29,705</u>	<u>164,877</u>	<u>43,879</u>
Takaful service result	(119,574)	1,815	142,797	25,038
Takaful finance expenses	(88,195)	803	4,310	(83,082)
Total changes in the statement of profit or loss	<u>(207,769)</u>	<u>2,618</u>	<u>147,107</u>	<u>(58,044)</u>

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- 13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)
- 13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach ("PAA"). (continued)
- 13.2.1 Takaful contract issued (continued)

	31.12.2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000
<b>Cash flows</b>				
Contributions received	1,083,496	-	-	1,083,496
Claims and other expenses paid including investment components	(364,186)	-	-	(364,186)
Total cash flows	719,310	-	-	719,310
Other movements	(265,812)	-	5,509	(260,303)
Net takaful contract liabilities as at 31 December	1,902,613	39,679	179,370	2,121,662
<b>At 31 December 2022</b>				
Takaful contract liabilities	2,274,551	23,182	167,648	2,465,381
Takaful contract assets	(371,938)	16,497	11,722	(343,719)
Net takaful contract liabilities as at 31 December	1,902,613	39,679	179,370	2,121,662

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach (“PAA”). (continued)

13.2.2 Retakaful contracts held

The table below presents a roll-forward of the net asset or liability for retakaful contracts held for contracts not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the family takaful fund.

	30.6.2023			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>				
At 1 January 2023				
Retakaful contract assets	37,669	-	-	37,669
Retakaful contract liabilities	(1,630)	-	-	(1,630)
Net retakaful contract assets	<u>36,039</u>	<u>-</u>	<u>-</u>	<u>36,039</u>
Changes that relate to current services				
Experience adjustments	11,277	-	-	11,277
	<u>11,277</u>	<u>-</u>	<u>-</u>	<u>11,277</u>
Net income from retakaful contracts held	11,277	-	-	11,277
Retakaful finance income	97	-	-	97
Total changes in the statement of profit or loss	<u>11,374</u>	<u>-</u>	<u>-</u>	<u>11,374</u>
Cash flows				
Contributions paid	14,153	-	-	14,153
Claims and benefits received	(9,186)	-	-	(9,186)
Total cash flows	<u>4,967</u>	<u>-</u>	<u>-</u>	<u>4,967</u>
Net retakaful contract assets as at 30 June	<u>52,380</u>	<u>-</u>	<u>-</u>	<u>52,380</u>
At 30 June 2023				
Retakaful contract assets	52,380	-	-	52,380
Retakaful contract liabilities	-	-	-	-
Net retakaful contract assets as at 30 June	<u>52,380</u>	<u>-</u>	<u>-</u>	<u>52,380</u>

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach ("PAA"). (continued)

13.2.2 Retakaful contracts held (continued)

	30.6.2023			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000
At 1 Jan 2023				
Retakaful contract assets	37,669	-	-	37,669
Retakaful contract liabilities	(1,630)	-	-	(1,630)
Net retakaful contract assets as at 1 January	36,039	-	-	36,039
Changes that relate to current services				
Experience adjustments	11,277	-	-	11,277
	11,277	-	-	11,277
Net income from retakaful contracts held	11,277	-	-	11,277
Retakaful finance income	97	-	-	97
Total changes in the statement of profit or loss	11,374	-	-	11,374
Cash flows				
Contributions paid	14,153	-	-	14,153
Claims and benefits received	(9,186)	-	-	(9,186)
Total cash flows	4,967	-	-	4,967
Net retakaful contract assets as at 30 June	52,380	-	-	52,380
At 30 June 2023				
Retakaful contract assets	52,380	-	-	52,380
Retakaful contract liabilities	-	-	-	-
Net retakaful contract assets as at 30 June	52,380	-	-	52,380

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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach (“PAA”). (continued)

13.2.2 Retakaful contracts held (continued)

	31.12.2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>				
At 1 January 2022				
Retakaful contract assets	41,305	-	-	41,305
Retakaful contract liabilities	(130)	-	-	(130)
Net retakaful contract assets as at 1 January	41,175	-	-	41,175
Changes that relate to current services				
Experience adjustments	(7,736)	-	-	(7,736)
	(7,736)	-	-	(7,736)
Net expenses from retakaful contracts held	(7,736)	-	-	(7,736)
Retakaful finance income	155	-	-	155
Total changes in the statement of profit or loss	(7,581)	-	-	(7,581)
Cash flows				
Contributions paid	84,720	-	-	84,720
Claims and benefits received	(82,275)	-	-	(82,275)
Total cash flows	2,445	-	-	2,445
Net retakaful contract assets as at 30 June	36,039	-	-	36,039
At 30 June 2023				
Retakaful contract assets	37,669	-	-	37,669
Retakaful contract liabilities	(1,630)	-	-	(1,630)
Net retakaful contract assets as at 30 June	36,039	-	-	36,039



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13 TAKAFUL AND RETAKAFUL CONTRACTS (CONTINUED)

13.2 Roll-forward of the net asset or liability for takaful contracts issued and retakaful contracts held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for contracts not measured under Premium Allocation Approach ("PAA"). (continued)

13.2.2 Retakaful contracts held (continued)

	31.12.2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total
<u>Company</u>	RM'000	RM'000	RM'000	RM'000
At 1 January 2022				
Retakaful contract assets	41,305	-	-	41,305
Retakaful contract liabilities	(130)	-	-	(130)
Net retakaful contract assets as at 1 January	41,175	-	-	41,175
Changes that relate to current services				
Experience adjustments	(7,736)	-	-	(7,736)
Net expenses from retakaful contracts held	(7,736)	-	-	(7,736)
Retakaful finance income	155	-	-	155
Total changes in the statement of profit or loss	(7,581)	-	-	(7,581)
Cash flows				
Contributions paid	84,720	-	-	84,720
Claims and benefits received	(82,275)	-	-	(82,275)
Total cash flows	2,445	-	-	2,445
Net retakaful contract assets as at 30 June	36,039	-	-	36,039
At 31 December 2022				
Retakaful contract assets	37,669	-	-	37,669
Retakaful contract liabilities	(1,630)	-	-	(1,630)
Net retakaful contract assets as at 31 December	36,039	-	-	36,039

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15 CAPITAL COMMITMENTS

	30.6.2023	Audited 31.12.2022
	RM'000	RM'000
Approved and contracted for: Intangible assets	860	-
Approved but not contracted for: Intangible assets	424	-
	<u>1,284</u>	<u>-</u>

16 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2023, as prescribed under the Risk Based Capital Framework is provided below:

	30.6.2023	Audited 31.12.2022
	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	240,000	240,000
Retained earnings	272,857	273,357
Eligible contract liabilities	202,440	167,866
	<u>715,297</u>	<u>681,223</u>
<u>Tier 2 Capital</u>		
Eligible reserves	791	(10,410)
Amounts deducted from capital	(34,304)	(39,384)
Total capital available	<u>681,784</u>	<u>631,429</u>

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**17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS**

(a) **MFRS 17 Insurance Contracts**

MFRS 17 Insurance Contracts was issued in May 2017, replacing MFRS 4 Insurance Contracts. The Company have adopted MFRS 17 Insurance Contracts, including any consequential amendments to other standards and subsequent amendments to MFRS 17, effective 1 January 2023, with corresponding comparative financial information provided for 2022.

Changes to classification and measurement

The adoption of MFRS 17 did not change the classification of the Company's takaful certificates. MFRS 17 establishes specific principles for the recognition and measurement of takaful certificates issued and retakaful certificates held by the Company. The key principles of MFRS 17 are that the Company:

- Identifies takaful certificates as those under which the Company accepts significant insurance risk from another party (the certificate holder) by agreeing to compensate the certificate holder if a specified uncertain future event (the insured event) adversely affects the certificate holder;
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than takaful contract services from takaful contracts and accounts for them in accordance with other standards (MFRS 9 for embedded derivatives and investment components or MFRS 15 for non-takaful goods and services);
- Divides the takaful and retakaful certificates into groups it will recognise and measure; and
- Recognises profit from a group of takaful certificates over each period the the Company provides takaful certificate services, as the Company is released from risk. If a group of certificates is expected to be onerous (i.e. loss-making) over the remaining coverage period, the Company recognise the loss immediately.

MFRS 17 introduces three new measurement models, reflecting a different extent of certificate holder participation in investment performance or overall takaful operator performance. The general measurement model ("GMM"), also known as the building block approach ("BBA"), consists of the fulfillment cash flows ("FCF") and the contractual service margin ("CSM"), both held as liability for remaining coverage ("LFRC"). The FCF represent the risk-adjusted present value of an entity's rights and obligations to the certificate holders, comprising estimates of expected cash flows, discounting and risk adjustment ("RA") for non-financial risk. The CSM represents the unearned profit from in-force certificates that an entity will recognise as it provides services over the coverage period. The contractual service margin is adjusted for changes in cash flows related to future services (operating assumption change) and grows by interest accretion at locked-in profit rates at initial recognition. A release from the CSM is recognised in profit or loss each period to reflect the services provided in that period.

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**17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) MFRS 17 Insurance Contracts (continued)

The RA for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful certificates and covers takaful risk, lapse risk and expense risk. The risk adjustment reflects an amount that a takaful operator would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount. The Company estimates the risk adjustment by referencing to provision for adverse deviation (PRAD) technique. The PRAD technique requires the Company to estimate the probability distribution of the fulfilment cash flows, and the additional provision that it requires at each future date in the cash flow projection to comply with the statutory reserving requirements. Besides that, the Company has decided to disaggregate the change in RA between the takaful service result and takaful finance income or expenses for GMM measured takaful certificates.

The variable fee approach (“VFA”) is a mandatory modification of the GMM regarding the treatment of the contractual service margin in order to accommodate direct participating certificates, if the following three requirements are met: the contractual terms specify that the certificate holder participates in a share of a clearly identified pool of underlying items; the entity expects to pay to the certificate holder an amount equal to a substantial share of the fair value returns on the underlying items; the entity expects a substantial proportion of any change in the amounts to be paid to the certificate holder to vary with the change in fair value of the underlying items.

For contracts with direct participation features (“DPF”), the contractual service margin is adjusted for changes in the amount of the entity’s share of the fair value of the underlying items arising from operating assumption change and adjustment for financial risks.

The premium allocation approach (“PAA”) is an optional simplified measurement model in MFRS 17 when the approach provides a measurement which is not materially different from that under the GMM or if the coverage period of each certificate in the group of takaful certificates is one year or less. Under the PAA, the LFRC is measured as the amount of contribution received net of acquisition cash flows paid, less the net amount of contribution and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

In determining the measurement models, firstly the Company can choose to use PAA if at the inception of the contract, the coverage period of each takaful certificate in the group of takaful certificates is one year or less. Alternatively the Company can still apply PAA if they can reasonably expect that such simplification can produce a measurement of the LFRC which would not differ materially as compared to the LFRC computed under the GMM by performing the PAA Eligibility Testing. Should the Company’s group of takaful certificates fail the PAA and VFA eligibility test, GMM will be used as the measurement model of that group of takaful certificates.

At the end of a reporting period, the carrying amount of a group of takaful certificates is the sum of the LFRC and the liability of incurred claims (“LFIC”).

LFIC consists of fulfillment cash flows related to past services, including claims that have been incurred but not yet reported. The measurement of the LFIC is identical under all three measurement models.

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NOTES TO THE FINANCIAL STATEMENTS  
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17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS  
(CONTINUED)

(a) MFRS 17 Insurance Contracts (continued)

Transition

In terms of transition approach, MFRS 17 has to be applied retrospectively unless this is impracticable. Fulfillment cash flows are determined prospectively at every reporting date, including the date of initial application. However, the contractual service margin is rolled-forward over time, a split of profits between equity (“earned profits”) and CSM (“unearned profits”) is required, but is often very challenging due to the long-term nature of Family Takaful contracts.

If it is impracticable to apply a full retrospective, an entity can choose between a modified retrospective approach or a fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach. Under the fair value approach, the contractual service margin of a group of certificates at transition is determined as the difference between the fair value of this group at transition determined in accordance with MFRS 13 and the corresponding MFRS 17 fulfillment cash flows measures at transition.

The Company has applied the fair value approach on transition for all takaful certificates issued and retakaful certificates held prior to transition date as of 1 January 2022.

Thus, on 1 January 2022, the Company has identified, recognised and measured each group of takaful contracts as if MFRS 17 had always; derecognised any existing balances that would not exist had MFRS 17 always applied; and recognised any resulting net difference in equity.

Transition impact from adoption of MFRS 17

The effects as a result of adoption of MFRS 17 were recognised as adjustments to Retained Earnings as at 1 January 2022, which has resulted in an increase of Shareholders’ equity as of 1 January 2022 by RM156 million, as summarised below:

- Recognition of Operators’ Fund negative reserves (+RM129 million).
- Change in reserving basis due to recognition of surplus cash flows arising from the takaful risk funds (+RM47 million).
- Creation of transition contractual service margin (-RM20 million).

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

#### 17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

(a) MFRS 17 Insurance Contracts (continued)

Presentation and disclosure differences

MFRS 17 significantly change how takaful contracts, retakaful contacts and investment contracts with DPF are presented and disclosed in financial statements. The key presentation and disclosure differences are as follows:

(i) Statements of Financial Position

- Under MFRS 17, portfolios of takaful contracts, retakaful contracts and investment contracts with DPF are presented separately in the statement of financial position as assets and liabilities. All rights and obligations arising from a portfolio of contracts will be presented on a net basis. Therefore, balances such as takaful receivables and payables, will no longer be presented separately and will be assessed on net portfolio position and reported within Takaful Contracts Liabilities or Assets as these are takaful contract related balances. Retakaful receivables and payables, retakaful assets and liabilities will be assessed on a net portfolio position and reported within Retakaful Contracts Assets or Liabilities as these are retakaful contract related. Under MFRS 4, takaful contracts were not split and presented by asset and liability position.
- The components of takaful contracts are presented separately in the notes to the financial statements. These components include carrying amount of FCF, CSM and RA.

(ii) Statements of Comprehensive Income

- Under MFRS 17, amounts recognised in the Statements of Comprehensive Income are disaggregated into an takaful service result (comprising takaful revenue and takaful service expenses), takaful finance income or expenses, and income or expenses from retakaful contracts held. Under MFRS 4, the Company reported contribution income, wakalah income, surplus sharing from family takaful funds, gross claims and benefits, changes in takaful contract liabilities, contribution and claims ceded to retakaful operators, and change in takaful contract liabilities ceded to retakaful operators.
- Investment components will not be included in takaful revenue and takaful service expenses under MFRS 17. As a result, total amounts of revenue and expenses from takaful contracts with investment components will be reduced compared with those recognised under MFRS 4.

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**17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) MFRS 17 Insurance Contracts (continued)

Impact of adoption of MFRS 17 on Statement of Financial Position and Statement of Comprehensive Income

The following table sets out the financial impact of adopting MFRS 17 on the statement of financial position as at 1 January 2022.

<u>Company</u>	31.12.2021 As previously reported RM'000	Classification and measurement RM'000	1.1.2022 As restated RM'000
<b>ASSETS</b>			
Property and equipment	330	-	330
Intangible assets	23,101	-	23,101
Right-of-use assets	11	-	11
Available-for-sale financial assets	1,604,377	-	1,604,377
Fair value through profit or loss financial assets	657,604	-	657,604
Takaful receivables	16,131	(16,131)	-
Financing and receivables	142,260	-	142,260
Retakaful contracts assets	144,513	(98,667)	45,846
Takaful contracts assets	-	366,750	366,750
Other receivables	9,363	(182)	9,181
Cash and bank balances	12,467	-	12,467
<b>TOTAL ASSETS</b>	<b>2,610,157</b>	<b>251,770</b>	<b>2,861,927</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	240,000	-	240,000
Retained earnings	234,858	156,421	391,279
Fair value through other comprehensive income/ Available-for-sale reserve	1,160	-	1,160
<b>TOTAL EQUITY</b>	<b>476,018</b>	<b>156,421</b>	<b>632,439</b>
<b>LIABILITIES</b>			
Retakaful contracts liabilities	-	545	545
Takaful contracts liabilities	2,039,386	59,449	2,098,835
Takaful payables	11,170	(11,170)	-
Lease liabilities	12	-	12
Other payables	75,388	(2,871)	72,517
Deferred tax liabilities	5,639	49,396	55,035
Current tax liabilities	2,544	-	2,544
<b>TOTAL LIABILITIES</b>	<b>2,134,139</b>	<b>95,349</b>	<b>2,229,488</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,610,157</b>	<b>251,770</b>	<b>2,861,927</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) MFRS 17 Insurance Contracts (continued)

Impact of adoption of MFRS 17 on Statement of Financial Position and Statement of Comprehensive Income (continued)

The following table sets out the financial impact of adopting MFRS 17 on the statement of financial position as at 31 December 2022.

<u>Company</u>	31.12.2022 As previously reported RM'000	Classification and measurement RM'000	31.12.2022 As restated RM'000
<b>ASSETS</b>			
Property and equipment	1,656	-	1,656
Intangible assets	19,953	-	19,953
Right-of-use assets	79	-	79
Available-for-sale financial assets	1,933,485	-	1,933,485
Fair value through profit or loss financial assets	617,961	-	617,961
Takaful receivables	181,675	-	181,675
Financing and receivables	13,417	(13,417)	-
Retakaful contracts assets	114,544	(67,259)	47,285
Takaful contracts assets	-	355,544	355,544
Other receivables	71,759	(307)	71,452
Deferred tax assets	24,661	(24,661)	-
Cash and bank balances	17,292	-	17,292
<b>TOTAL ASSETS</b>	<b>2,996,482</b>	<b>249,900</b>	<b>3,246,382</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	240,000	-	240,000
Retained earnings	273,357	127,350	400,707
Fair value through other comprehensive income/ Available-for-sale reserve	(7,118)	-	(7,118)
<b>TOTAL EQUITY</b>	<b>506,239</b>	<b>127,350</b>	<b>633,589</b>
<b>LIABILITIES</b>			
Retakaful contracts liabilities	-	1,651	1,651
Takaful contracts liabilities	2,286,332	182,323	2,468,655
Takaful payables	15,802	(15,802)	-
Lease liabilities	80	-	80
Other payables	180,857	(56,145)	124,712
Deferred tax liabilities	-	10,523	10,523
Current tax liabilities	7,172	-	7,172
<b>TOTAL LIABILITIES</b>	<b>2,490,243</b>	<b>122,550</b>	<b>2,612,793</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,996,482</b>	<b>249,900</b>	<b>3,246,382</b>



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17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS  
(CONTINUED)

(a) MFRS 17 Insurance Contracts (continued)

Impact of adoption of MFRS 17 on Statement of Financial Position and Statement of Comprehensive  
Income (continued)

The following table sets out the financial impact of adopting MFRS 17 on the statement of comprehensive income as at 30 June 2022.

Company

	30.6.2022 As previously reported	Classification and measurement	30.6.2022 As restated
	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	16,199	(20,284)	(4,085)

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

#### 17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

##### (b) MFRS 9 Financial Instruments

MFRS 9 Financial Instruments was issued in 2014, replacing MFRS 139 Financial Instruments: Recognition and Measurement, for annual periods beginning on or after January 1, 2018. However, the Company elected, under the amendments to MFRS 4 to apply the temporary exemption from MFRS 9, deferring the initial application date of MFRS 9 to align with the initial application of MFRS 17 on 1 January 2023.

The Company's accounting policies for classification and measurement of financial instruments and impairment of financial assets in accordance with MFRS 9 are as follows:-

##### Classification and measurement

The Company classify financial assets into three primary measurement categories: Fair Value Through Profit or Loss ("FVTPL"), Fair Value Through Other Comprehensive Income ("FVOCI") and Amortised Cost.

The classification of financial assets is generally based on the Company's business model in which a financial asset is managed ("business model test") and its contractual cash flow characteristics ("SPPI test"). The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The SPPI test determines whether the contractual cash flows are solely payments of principal and interest on the principal outstanding.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- Business model is to hold assets to collect contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- Business model is both to hold assets to collect contractual cash flows and selling financial assets; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All other financial assets are classified and measured at FVTPL.

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)**

**17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(b) MFRS 9 Financial Instruments (continued)

Classification and measurement differences from adoption of MFRS 9

Generally, all the financial assets classification under MFRS 9 is similar to MFRS 139 except for the following changes:

- (i) Change of classification for investment in investment-linked funds from AFS to FVTPL.

The impact on the adoption of MFRS 9 to Shareholders' equity as of 1 January 2023 are summarized below:

- Change of classification for investment in investment-linked funds from AFS to FVTPL (RM3.0 million).

Impairment

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking Expected Credit Loss ("ECL") model. This requires considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

MFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVTPL.

ECL impact

The effects from the implementation of impairment requirements based on an ECL methodology of RM5,000 (gross of tax) was recognised on 1 January 2023.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

17 EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS  
(CONTINUED)

(b) MFRS 9 Financial Instruments (continued)

Impact of adoption of MFRS 9 on Statement of Financial Position as at 1 January 2023

	<u>Deferred tax liabilities</u> RM'000	<u>Retained earnings</u> RM'000	<u>FVOCI Reserves</u> RM'000
Closing balance as at 31 December 2022 (restated)	10,523	400,707	(7,118)
Effect on adoption of MFRS 9:			
- Change of classification for investment in investment-linked funds	-	3,031	(3,031)
- Recognition of ECL impact	(1)	(4)	5
	<u>(1)</u>	<u>3,027</u>	<u>(3,026)</u>
Opening balance as at 1 January 2023 (restated)	<u>10,522</u>	<u>403,734</u>	<u>(10,144)</u>