

Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2018

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Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the principal activities of the Company during the financial year other than the cessation of the General Takaful business with effect from 1 July 2018, as disclosed in Note 11 to financial statements.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	
- Continuing operations	32,338
- Discontinued operations	(648)
	<hr/>
	31,690
	<hr/> <hr/>

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year. The Directors have not recommended any final dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

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

PROVISION FOR TAKAFUL LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims and adequate provision for Takaful contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia ("BNM").

SHARE CAPITAL

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	6/6
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	6/6
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	5/6
Dato' Mohd Shukri Bin Hussin (Independent Non-Executive Director)	6/6
Encik Izlan Bin Izhab (Non-Independent Non-Executive Director)	6/6
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	6/6
Encik Karim Gilani (Executive Director)	5/6

In accordance to Article 69 of the Company's Articles of Association, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Encik Pushpanathan A/L S.A. Kanagarayar shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements and adopts management practices that are consistent with the principles prescribed under the Islamic Financial Services Act, 2013, Bank Negara Malaysia ("BNM") Guidelines in particular BNM/RH/GL_012_3 Shariah Governance Framework for Islamic Financial Institutions, BNM/RH/GL 018-5 on Fit and Proper Criteria, BNM/RH/PD 029-9 on Corporate Governance, other directives and the principles of Shariah, and which supercedes BNM/RH/GL 004-1 on Directorship for Takaful Operators and BNM/RH/GL/003-2 on Prudential Framework of Corporate Governance for Insurers.

Board of Directors ("the Board")

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

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

Board

- (i) Plans Board and Committee's size and composition, establishes Board Committees and Shariah Committee and appoints its members, and determines Directors' compensation;
- (ii) Maintains formal orientation program for new Directors and ongoing education programs for all Directors;
- (iii) Establishes corporate governance practices and policies; and
- (iv) Assesses its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, as well as the effectiveness including the fitness and proper criteria of individual Directors on an annual basis.

Senior Management

- (i) Selects, evaluates and, if necessary, replaces the Chief Executive Officer and other members of senior management, including the Appointed Actuary;
- (ii) Delegates powers to management to manage the Company;
- (iii) Oversees succession planning for senior management positions;
- (iv) Approves compensation of senior management;
- (v) Advises the Chief Executive Officer; and
- (vi) Reviews and approves the organizational structure on an annual basis.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

Ethics and Integrity

- (i) Sets an ethical tone for the Company;
- (ii) Satisfies itself that senior management maintain a culture of integrity throughout the Company; and
- (iii) Approves amendments and reviews employee compliance to Code of Business Conduct.

Strategy

- (i) Approves the Company's vision and mission statements;
- (ii) Reviews the effectiveness of the strategic planning process;
- (iii) Approves the Company's business objectives, strategies, capital and financial plans on an annual basis; and
- (iv) Monitors the Company's performance against these statements, objectives and plans on an ongoing basis.

Risk Management, Capital Management and Internal Control

- (i) At least on an annual basis, approves policies and procedures for the management and control of risk and capital, and reviews compliance with these policies and procedures;
- (ii) Reviews the internal control and management information systems that provide reasonable assurance as to the reliability of the Company's financial information and the safeguarding of its assets; and
- (iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

- (i) Reviews and approves material investments and transactions.

Financial Reporting

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

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

Communication and Disclosure

- (i) Oversees the reporting of financial results to Shareholders and other stakeholders on a timely basis;
- (ii) Reviews and, when appropriate, approves policies with regard to public disclosure, confidentiality of information and securities trading; and
- (iii) Enables Shareholders to provide feedback to the independent Directors.

Other

- (i) Engages any special advisors it deems necessary to provide independent advice at the expense of the Company; and
- (ii) Performs such other functions as prescribed by law or as assigned to the Board in the Company's governing documents.

Directors' Training

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

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

Audit Committee ("AC")

The composition of the AC comprises Independent Non-Executive Directors of the Company and the attendances of the AC members during the financial year were as follows:

	<u>Attendance</u>
Encik Pushpanathan A/L S.A. Kanagarayar - Chairman	4/4
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	4/4
Encik Jose Isidro Navato Camacho	3/4

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

The duties and responsibilities of the AC are as follows:

Financial Reporting

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

External Auditor

- (i) Reviews the independence of the External Auditor, including the requirements relating to such independence in the laws governing the Company and the applicable financial legislative and regulatory requirements;
- (ii) Assesses the performance of the External Auditor and recommends to the Board the reappointment or, if so determined by the AC, the replacement of the External Auditor, subject to the approval of the Shareholders;
- (iii) Determines, reviews and approves the services to be performed by the External Auditor and the fees to be paid to the External Auditor for audit, audit-related and other services permitted by law;
- (iv) Reviews with the External Auditor and management the overall scope of the annual audit plan, quality control procedures and the resources that the External Auditor will devote to the audit;
- (v) Reviews with the External Auditor on any regulatory investigations that pertain to the External Auditor; and
- (vi) Investigates reasons for any request made by management to dismiss the External Auditor, or any resignation by the External Auditor. The results of the investigation will be disclosed to the Board together with the recommendations on the proposed actions to be taken.

Internal Control and Audit

- (i) Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves the procedures;
- (ii) Reviews management's reports on the effectiveness of the Company's disclosure controls and procedures and its internal control over financial reporting;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Internal Control and Audit (continued)

- (iii) Reviews with the Head of Internal Audit and management:
 - (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor in their audit plan, and the adequacy of the resources available to the Head of Internal Audit;
 - (b) The effectiveness of the internal control procedures;
- (iv) Ensures that management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and any other issues identified by the internal audit and other control functions;
- (v) Notes any significant disagreements between the Head of Internal Audit and management, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
- (vi) Reviews third-party opinions on the design and effectiveness of the Company's internal control framework.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Internal Audit;
- (ii) Ensures that the Head of Internal Audit has adequate authority and independence to perform the Internal Audit mandate;
- (iii) Approves the appointment, remuneration, performance evaluation, removal and deployment of the Head of Internal Audit;
- (iv) Ensures that an independent review of the Internal Audit function is conducted, as needed;
- (v) Discusses with the External Auditor if necessary, on the impact of the financial and control-related aspects of material transactions that are being proposed by the Company;
- (vi) Reviews and discusses with the External Auditor and Appointed Actuary on such reports and regulatory returns of the Company as may be specified by law;
- (vii) Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities including management's responses and recommendations;
- (viii) Discusses the qualifications for and determines whether a member of the AC is a financial expert and in conjunction with the Remuneration and Nomination Committee ensures the on-going financial literacy of the AC members; and

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Governance

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

Others

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

Remuneration and Nomination Committee ("RNC")

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

	<u>Attendance</u>
Dato' Mohd Shukri Bin Hussin - Chairman	3/3
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	3/3
Encik Jose Isidro Navato Camacho	3/3

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

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

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

- (ii) Recommends and assesses the fitness and propriety of nominees for directorship, the Directors to fill the Board Committees, members of the Shariah Committee as well as nominees for the position of the Chief Executive Officer and the Company Secretary. This includes assessing the Directors, members of the Shariah Committee and the Chief Executive Officer including the proposals for their re-appointment before an application for approval is submitted to BNM;
- (iii) Establishes a mechanism for formal assessment and assesses the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees including members of the Shariah Committee and the performance of the Chief Executive Officer on an annual basis;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee (“RNC”) (continued)

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

- (iv) Recommends to the Board on the removal of a Director, Chief Executive Officer and Shariah Committee Member for ineffectiveness, or being errant or negligent in discharging responsibilities;
- (v) Ensures that all Directors and Shariah Committee Members undergo appropriate induction programmes and receive continuous training;
- (vi) Oversees the appointments, succession planning of management and performance evaluation of key senior officers and recommends to the Board the removal of key senior officers for ineffectiveness, or being errant and negligent in discharging their responsibilities;
- (vii) Seeks the services of advisors or consultants as it deems necessary to fulfill its responsibilities; and
- (viii) Reviews the list of key responsible persons, as defined in BNM guidelines, annually and make changes as appropriate.

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

- (i) Recommends a framework of remuneration for Directors, Chief Executive Officer, Shariah Committee Members and key senior officers; and
- (ii) Recommends specific remuneration packages for Directors, Chief Executive Officer, Shariah Committee Members and key senior officers.

Risk Management Committee (“RMC”)

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

	<u>Attendance</u>
Encik Jose Isidro Navato Camacho – Chairman	3/4
Encik Pushpanathan A/L S.A. Kanagarayar	4/4
Dato’ Mohd Shukri Bin Hussin	4/4

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

The duties and responsibilities of the RMC are as follows:

Risk Management

- (i) Reviews and recommends risk management strategies, policies, risk tolerance and risk appetite for Board's approval;
- (ii) Reviews at least annually and assesses the adequacy of and compliance with Risk Management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (iii) Ensures adequate infrastructure, resources and systems are in place for an effective risk management;
- (iv) Reviews periodic management reports on risk exposure, risk portfolio composition and risk management activities;
- (v) Reviews and assesses on matters set out in the Shareholders Agreement as recommended by the Executive Committee, for the Board's approval;
- (vi) Monitors the performance of the Enterprise Risk Management Committee ("ERMC"), the Asset and Liability Committee ("ALCO") and the Investment Committee ("IC") within the context of the Company's strategy, risk appetite and charters of the respective Committees;
- (vii) Reviews and assesses the results of the stress and scenario testings, before endorsing for approval by the Board. In addition, ensuring timely identification and continuous monitoring of suitable corrective action plans by management in addressing the identified risks;
- (viii) Reviews key risk-related issues incorporated into the business plans annually;
- (ix) Reviews management's actions related to product design through the process set out in the Risk Management policies; and
- (x) Assists the implementation of a sound remuneration structure and without prejudice to the tasks of the Remuneration and Nomination Committee, examining whether incentives provided by the remuneration structure take into consideration risks, capital, liquidity and the likelihood and timing of earnings.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Compliance

- (i) Reviews at least annually and approves changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- (ii) Reviews at least annually the adequacy of and compliance with the Company's Code of Conduct and enterprise-wide policies for the management and mitigation of compliance risks, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption and fraud; and
- (iii) Reviews quarterly compliance reports presented to RMC with respect to, among others, compliance trends and themes on an enterprise-wide basis, regulatory reviews and the Company's compliance risks and programmes.

Governance

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

Executive Committee ("EC")

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

Encik Karim Gilani
Encik Ooi Say Teng

The duties and responsibilities of the EC are as follows:

- (i) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the RMC and subsequently to the Board for deliberation and approval;
- (ii) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the Board for deliberation and approval; and
- (iii) Performs such other duties and exercises such other powers as may, from time to time, be assigned to or vested in the EC by the Board.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Shariah Committee ("SC")

The members of the SC and the attendance of the SC members during the financial year are as follows:

	<u>Attendance</u>
Associate Professor Dr. Shafaai Musa - Chairman	7/7
Professor Dr. Mohammad Hashim Kamali	6/7
Dato' Dr. Haji Mohd Nai'm Haji Mokhtar	6/7
Professor Dato' Dr. Noor Inayah Ya'akub	6/7
Ustaz Mohd Fadhy Md Yusoff	7/7

The duties and responsibilities of the SC are as follows:

- (i) Active participation, including attending meetings of the SC, evaluating reports, reading minutes and others;
- (ii) Engages actively in deliberating Shariah issues presented before them;
- (iii) Advises the Board and/or Management of the Company on Shariah matters in order to ensure that the Takaful business is Shariah-compliant at all times;
- (iv) Sets the policies and procedures for the Company's Takaful business, to endorse all the Manuals governing the Takaful business of the Company including the Guidelines, Rules, Terms and Procedures ("GRTP") and to suggest for their revision, improvement and updates from time to time as may be necessary;
- (v) Sets the policies and guidelines to allow the Shariah Department of the Company to process and decide on submissions from any division within the Company;
- (vi) Advises the Company to refer to the Shariah Advisory Council For Islamic Banking And Takaful of Bank Negara Malaysia ("the SACBNM") and the Shariah Advisory Council for the Islamic Capital Market of the Securities Commission ("the SACSC") on any Shariah matter that requires the SACBNM's and SACSC's endorsement, respectively;
- (vii) Ensures high standards in arriving at Shariah decisions through a proper Shariah ruling framework;
- (viii) Being well informed of the latest development of Takaful business globally, regulatory changes affecting the Company's business, rulings made by the SACBNM and changes in the latest Shariah research, ijtihad, fatwas or findings;

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Shariah Committee ("SC") (continued)

- (ix) Reviews and endorses the Shariah Governance Framework as provided by various tools such as the Shariah Compliance Policy and General Procedure Manual and various implementation functions within the Company including Shariah research, Shariah review, Shariah audit and Shariah risk management;
- (x) Reviews and responds to proposals submitted for the Members' Circular Resolution within 7 (seven) calendar days after the proposals have been circulated;
- (xi) Attendance by members of at least 75% of all the SC meetings held in a year. Any member who does not meet the minimum requirement would be subjected to a review of his or her service; and
- (xii) Maintains and portrays professionalism in the best manner to reflect the integrity of the SC.

DIRECTORS' BENEFITS

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

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

The Directors and officers of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM66,250.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Company has kept the Register of Directors' Shareholdings under Section 59 of the Companies Act 2016. The Directors in office at the end of the financial year did not hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares and debentures or have beneficial interests in the shares, options over shares and debentures of its related companies during and at the end of the financial year, other than as shown below:

	<u>No. of options over ordinary shares</u>			
	<u>At</u>			<u>At</u>
	<u>1.1.2018</u>	<u>Granted</u>	<u>(Sold)</u>	<u>31.12.2018</u>
<u>Sun Life Financial Inc.</u>				
Karim Gilani	7,369	2,575	(1,269)	8,675

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' REMUNERATION

The details of Directors' remuneration are set out in Note 22 to the financial statements.

SHARE OPTION SCHEME

No Share Option Scheme was offered during the financial year.

HOLDING COMPANIES

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

AUDITORS' REMUNERATION

The details of the auditors' remuneration are set out in Note 22 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board in accordance with the resolution of the Directors dated 21 March 2019.

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Ooi Say Teng, being two of the Directors of Sun Life Malaysia Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 23 to 174 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and financial performance of the Company for the financial year ended 31 December 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 March 2019.

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Takaful Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 23 to 174 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM
MIA No. CA10652

Subscribed and solemnly declared by the abovenamed Chew Chin Lim at Kuala Lumpur in Malaysia on 21 March 2019.

Before me,

COMMISSIONER FOR OATHS

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, the Beneficent, the Merciful

We, the Sun Life Malaysia Takaful Berhad Shariah Committee (the “Shariah Committee”) have reviewed the principles and the contracts relating to the transactions and applications introduced by Sun Life Malaysia Takaful Berhad (“the Company”) through the product literature, contract documents, financial statements, policies and specific issues during the financial year ended 31 December 2018. We have also conducted our review to form an opinion as to whether the Company, has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of the Company is responsible for ensuring that it conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on review of the operations by the Shariah Review, Risk Management and the Internal Audit of the Company as presented to the Shariah Committee, and to report to you.

We have assessed the work carried out by the Shariah review which included examining the relevant documentation and operational procedures adopted by the Company.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the Shariah principles.

In our opinion:

1. The contracts, transactions and dealings entered into and concluded by the Company during the financial year ended 31 December 2018 are in compliance with the Shariah principles.
2. The allocation of surplus sharing from the Participant Risk Fund (Tabarru’ Funds) to the customers and Company conforms to the basis stipulated in the Surplus Recognition and Allocation policy that had been approved by us.
3. The allocation of profit sharing from the Participant Account / Universal Account to the customers and Company conforms to the basis stipulated in the Takaful Participants’ Account – Investment Allocation and Management of Universal Takaful Business Policy that had been presented and approved by us.
4. There was no Qardhul Hassan recovery by the Shareholders Fund from the Family Takaful Fund and General Takaful Fund in the financial year ended 31 December 2018.
5. There were Shariah non-compliant earnings in December 2017 received from the passive breach by the stock namely; Digi that turned Shariah non-compliant. In February 2018, it had been decided that the net gain from the disposal and the dividend received amounting to RM 984.17 was to be channelled to charity.
6. All Shariah review findings have been addressed to us, deliberated and ratified by us.
7. The allocation of zakat amounting to RM240,000 has been deliberated and approved by the Shariah Committee.

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

We, being two of the members of the Shariah Committee of the Company, do hereby confirm that the operations of the Company for the financial year ended 31 December 2018 have been conducted in conformity with Shariah, except where it is disclosed otherwise.

SHEIKH ASSOCIATE PROFESSOR DR. SHAFAAI BIN MUSA

SHEIKH PROFESSOR DR. MOHAMMAD HASHIM KAMALI

Kuala Lumpur
21 March 2019

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Takaful Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2018 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 174.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2019 J
Chartered Accountant

Kuala Lumpur
21 March 2019

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018				2017			
		Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
ASSETS									
Property and equipment	3	1,078	-	-	1,078	266	-	-	266
Intangible assets	4	33,403	-	-	33,403	37,998	-	-	37,998
Available-for-sale financial assets	5	334,522	-	838,310	1,164,280	295,092	-	773,743	1,060,015
Fair value through profit or loss financial assets	5	-	-	103,926	103,926	11,741	-	99,457	111,198
Financing and receivables	6	34,698	-	66,869	101,567	33,061	-	83,378	116,439
Takaful receivables	7	-	-	34,182	34,182	-	-	30,476	30,476
Retakaful assets	8	545	-	92,417	92,962	-	-	87,260	87,260
Other receivables	9	38,781	-	4,090	4,812	73,851	-	1,194	3,073
Deferred tax assets	10	-	-	-	-	3,025	-	(864)	2,161
Current tax assets		3,348	-	-	3,348	-	-	-	-
Cash and bank balances		8,432	-	18,618	27,050	7,040	-	11,924	18,964
Assets of a disposal group classified as held-for-sale	11	-	-	-	-	-	52,221	-	52,221
Total assets		454,807	-	1,158,412	1,566,608	462,074	52,221	1,086,568	1,520,071

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	2018				2017			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES									
Share capital	15	200,000	-	-	200,000	200,000	-	-	200,000
Available-for-sale reserve		3,467	-	-	3,467	2,634	-	-	2,634
Retained earnings		206,981	-	-	206,981	175,291	-	-	175,291
Total equity		410,448	-	-	410,448	377,925	-	-	377,925
LIABILITIES									
Takaful contract liabilities	12	1,916	-	1,067,695	1,061,059	-	-	997,762	988,942
Takaful payables	13	100	-	41,578	41,678	-	-	21,434	21,434
Other payables	14	41,406	-	46,325	49,672	56,718	-	67,360	63,012
Expense liabilities		121	-	-	121	23,148	-	-	23,148
Deferred tax liabilities	10	816	-	353	1,169	-	-	-	-
Current tax liabilities		-	-	2,461	2,461	4,283	-	12	4,295
Liabilities of a disposal group classified as held-for-sale	11	-	-	-	-	-	52,221	-	41,315
Total liabilities		44,359	-	1,158,412	1,156,160	84,149	52,221	1,086,568	1,142,146
TOTAL EQUITY AND LIABILITIES		454,807	-	1,158,412	1,566,608	462,074	52,221	1,086,568	1,520,071

Note:

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

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

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018				2017			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution	16(a)	-	-	436,875	436,875	-	-	486,915	486,915
Contribution ceded to retakaful operators	16(b)	-	-	(54,678)	(54,678)	-	-	(58,244)	(58,244)
Net earned contribution		-	-	382,197	382,197	-	-	428,671	428,671
Wakalah income		173,851	-	-	-	199,720	-	-	-
Surplus sharing from Family Takaful funds		29,627	-	-	-	26,439	-	-	-
Investment income	17	16,740	-	42,931	57,113	14,913	-	38,737	51,382
Realised gains	18	-	-	-	-	-	-	878	878
Net fair value gains	19	-	-	-	-	29	-	12,791	12,820
Commission income		-	-	252	252	-	-	234	234
Other operating income	20	18,671	-	94	18,765	21,403	-	77	21,480
Total income		238,889	-	425,474	458,327	262,504	-	481,388	515,465

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	2018				2017			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid	21(a)	-	-	(190,907)	(190,907)	-	-	(195,272)	(195,272)
Claims ceded to retakaful operators	21(b)	-	-	48,002	48,002	-	-	61,017	61,017
Gross change in Takaful contract liabilities	21(c)	-	-	(61,824)	(61,824)	-	-	(163,751)	(163,751)
Change in Takaful contract liabilities ceded to retakaful operators	21(d)	-	-	5,157	5,157	-	-	49,517	49,517
		-	-	(199,572)	(199,572)	-	-	(248,489)	(248,489)
Surplus sharing with Takaful operator		-	-	(29,627)	-	-	-	(26,439)	-
Wakalah expenses		-	-	(173,851)	-	-	-	(199,720)	-
Realised losses	18	-	-	(2,698)	(2,698)	-	-	-	-
Net fair value losses	19	(24)	-	(15,769)	(15,793)	-	-	-	-
Commission expenses		(54,111)	-	-	(54,111)	(57,088)	-	-	(57,088)
Management expenses	22	(131,086)	-	-	(131,086)	(115,568)	-	-	(115,568)
Other operating expenses	23	(12,569)	-	(4,436)	(14,447)	(12,719)	-	(4,351)	(14,802)
		(197,790)	-	(226,381)	(218,135)	(185,375)	-	(230,510)	(187,458)
Total expenses		(197,790)	-	(425,953)	(417,707)	(185,375)	-	(478,999)	(435,947)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	2018				2017			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation		41,099	-	(479)	40,620	77,129	-	2,389	79,518
Tax expense attributable to participants		-	-	479	479	-	-	(2,389)	(2,389)
Profit before taxation attributable to Shareholders		41,099	-	-	41,099	77,129	-	-	77,129
Taxation	24	(8,521)	-	479	(8,042)	(9,790)	-	(2,389)	(12,179)
Tax expense attributable to participants		-	-	(479)	(479)	-	-	2,389	2,389
Tax expense attributable to Shareholders		(8,521)	-	-	(8,521)	(9,790)	-	-	(9,790)
Zakat		(240)	-	-	(240)	(430)	-	-	(430)
Net profit for the financial year from continuing operations		32,338	-	-	32,338	66,909	-	-	66,909
Discontinued operations:									
Net (loss)/profit for the financial year from discontinued operations	11	(648)	-	-	(648)	6,856	-	-	6,856
Net profit for the financial year		31,690	-	-	31,690	73,765	-	-	73,765
Basic earnings per share (sen)		-	-	-	31.69	-	-	-	73.77

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	2018				2017			
		Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Other comprehensive income:									
Items that may be subsequently reclassified to profit or loss:									
Fair value changes on available-for-sale financial assets:									
- Revaluation		1,096	-	7,459	8,555	2,522	-	(1,532)	990
- Transfer to profit or loss upon disposal		-	-	1,355	1,355	-	-	967	967
- Gross fair value changes	5(c)	1,096	-	8,814	9,910	2,522	-	(565)	1,957
- Deferred taxation	10	(263)	-	(705)	(968)	(605)	-	45	(560)
- Net fair value changes		833	-	8,109	8,942	1,917	-	(520)	1,397
Changes in Takaful contract liabilities arising from unrealised net fair value changes	12	-	-	(8,109)	(8,109)	-	-	520	520
Other comprehensive income for the financial year, net of tax		833	-	-	833	1,917	-	-	1,917
Comprising:									
- Continuing operations		833	-	-	833	1,917	-	-	1,917
- Discontinued operations		-	-	-	-	-	-	-	-
		833	-	-	833	1,917	-	-	1,917

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	2018				2017			
	Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the financial year	32,523	-	-	32,523	75,682	-	-	75,682
Comprising:								
- Continuing operations	33,171	-	-	33,171	68,826	-	-	68,826
- Discontinued operations	(648)	-	-	(648)	6,856	-	-	6,856
	32,523	-	-	32,523	75,682	-	-	75,682

Note:

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital RM'000	Share premium RM'000	Non-distributable Available- for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018	200,000	-	2,634	175,291	377,925
Total comprehensive income for the financial year	-	-	833	31,690	32,523
At 31 December 2018	200,000	-	3,467	206,981	410,448
At 1 January 2017	100,010	99,990	717	101,526	302,243
Transition to no-par value regime on 31 January 2017 ¹	99,990	(99,990)	-	-	-
Total comprehensive income for the financial year	-	-	1,917	73,765	75,682
At 31 December 2017	200,000	-	2,634	175,291	377,925

¹ The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM99,990,000 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	<u>2018</u> RM'000	<u>2017</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year		
Continuing operations	32,338	66,909
Discontinued operations	(648)	6,856
	<u>31,690</u>	<u>73,765</u>
Adjustments for:		
Depreciation of property and equipment	48	2
Amortisation of intangible assets	3,947	706
(Accretion of discounts)/amortisation of premiums - net	(58)	488
Realised losses/(gains) on disposal of financial assets	3,187	(880)
Profit income	(55,284)	(51,250)
Dividend income	(2,935)	(2,388)
Net fair value losses/(gains)	15,793	(12,820)
Provision for expense liability	(20,986)	(19,516)
Allowance for impairment loss	-	117
Writeback of allowance for impairment loss	(44)	(35)
Increase in Shareholder's fund Takaful contract liabilities	1,916	-
Decrease in General Takaful contract liabilities	(38,785)	(5,541)
Increase in Family Takaful contract liabilities	61,824	163,751
Taxation	8,235	14,781
Zakat	240	430
	<u>8,788</u>	<u>161,610</u>
Profit from operations before changes in operating assets and liabilities	8,788	161,610
Proceeds from disposal and maturity of investments	348,854	227,613
Purchase of investments	(424,333)	(389,365)
(Increase)/decrease in other receivables	(1,734)	4,194
Increase in Takaful receivables	(589)	(239)
Decrease in financing and receivables	25,183	12,936
Decrease/(increase) in retakaful assets	1,386	(49,465)
(Decrease)/increase in other payables	(4,420)	16,513
Increase in Takaful payables	18,074	3,335
	<u>(28,791)</u>	<u>(12,868)</u>
Income tax paid	(13,295)	(16,027)
Zakat paid	(430)	(220)
Profit income received	54,075	50,466
Dividend income received	2,935	2,388
	<u>14,494</u>	<u>23,739</u>
Net cash generated from operating activities	14,494	23,739

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	<u>2018</u> RM'000	<u>2017</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(917)	(854)
Purchase of intangible assets	(8,015)	(25,140)
Net cash used in investing activities	<u>(8,932)</u>	<u>(25,994)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,562	(2,255)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>21,488</u>	<u>23,743</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u><u>27,050</u></u>	<u><u>21,488</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances		
- Continuing operations	27,050	18,964
- Discontinued operations	-	2,524
	<u>27,050</u>	<u>21,488</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.

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the principal activities of the Company during the financial year other than the cessation of the General Takaful business with effect from 1 July 2018, as disclosed in Note 11 to the financial statements.

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 February 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act 2016.

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

In preparing the Company's 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 financial statements.

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

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

2.1 Basis of preparation (continued)

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

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

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

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

The amendments and improvements to published standards and interpretations that have been adopted by the Group and the Company for the first time for the financial year beginning on or after 1 January 2018 are as follows:

- MFRS 15 Revenue from contracts with customers

The adoption of these amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods.

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

2.1 Basis of preparation (continued)

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

- 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 Company’s business activity is 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 34.

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

2.1 Basis of preparation (continued)

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

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

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

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

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

Based on the Company’s assessment, there is no expected material impact of this standard to its financial statements.

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

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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 Company but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2018. None of these are expected to have a significant effect on the financial statements of the Group and Company, except for the following set out below:

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

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

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

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

Based on the Company’s assessment, there is no expected material impact of this standard to its financial statements.

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

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

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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 Company but not yet effective: (continued)

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 Company is in the process of assessing the financial impact of this standard onto its financial statements.

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

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

Key changes to the Framework are as follows:

- (i) Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management’s stewardship.

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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 Company but not yet effective: (continued)

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

Amendments to References to the Conceptual Framework in MFRS Standards

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

The Company is in the process of assessing the financial impact of this standard onto 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 Company but not yet effective: (continued)

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

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

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

The amendments also:

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

The amendments shall be applied prospectively.

The Company is in the process of assessing the financial impact of this standard onto its financial statements.

- New IC Interpretation 23 Uncertainty over Income Tax Treatments effective 1 January 2019

IC Interpretation 23 "Uncertainty over Income Tax Treatments" provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

The Company is in the process of assessing the financial impact of this standard onto its financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Property and equipment

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

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

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Computer equipment	3 years
Motor vehicles	3 years

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

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

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

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

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

2.2 Summary of significant accounting policies (continued)

(b) Intangible assets

Intangible assets of the Company consist of computer software and exclusive partnership fee.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives of 3 years.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Exclusive partnership fee

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The exclusive partnership agreement provides the Company with an exclusive right to the use of the partnership network. The fee for this right is amortised over its partnership agreement term using the straight line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(e)(ii) on impairment of non-financial assets.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), financing and receivables ("FAR") and available-for-sale ("AFS").

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

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

FVTPL

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

FAR

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

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. These financial assets are initially recognised at fair value. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of AFS, net of income tax, are recognised directly in other comprehensive income, except for impairment losses.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the profit or loss as net realised gains or losses on AFS financial assets.

(d) Fair value of financial instruments

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Fair value of financial instruments (continued)

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

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

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

(e) Impairment

(i) Financial assets

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

Assets carried at amortised cost

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

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

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

2.2 Summary of significant accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (continued)

Assets carried at amortised cost (continued)

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

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

(ii) Non-financial assets

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Derecognition of financial assets

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

(g) Equity instruments

Share capital

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

Dividends

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

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

(h) Product classification

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

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

Takaful contracts are those contracts whereby significant Takaful risks are shared among the participants. A Takaful contract is a contract under which the Takaful operator (the provider) has agreed to administer Takaful risk faced by the participants by agreeing to compensate the participants from the Tabarru' Fund if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company defines significant Takaful risk to be the possibility of having to pay benefits on the occurrence of a Takaful event that is at least 5% more than the benefits payable if the Takaful event did not occur.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

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

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

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

Surpluses in the DPF fund are distributable to participants and the Company in accordance with the relevant terms under the Takaful contracts, subject to the advice of the Company's Appointed Actuary.

Takaful contracts that contain both a financial risk component and a significant Takaful risk component are not unbundled and classified as Takaful contracts as the current accounting policy recognises all Takaful contributions, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through profit or loss.

An investment-linked Takaful contract is a Takaful contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of a Takaful contract and is therefore not accounted for separately from the host Takaful contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

(i) Retakaful contracts

Contracts entered into by the Company with retakaful operators under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for Takaful contracts in Note 2.2(h) (on product classification) are classified as Takaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Takaful contracts entered into by the Company under which the contract holder is another Takaful operator (inward retakaful) are included within Takaful contracts.

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

2.2 Summary of significant accounting policies (continued)

(i) Retakaful contracts (continued)

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of short-term balances due from retakaful operators, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful operators are measured consistently with the amounts associated with the original Takaful contracts to which the retakaful relates and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

Ceded retakaful arrangements do not relieve the Company from its obligations to participants. Contributions and claims are presented on a gross basis for ceded retakaful arrangements.

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

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

(j) Family Takaful contracts

Family Takaful fund

The Family Takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amount attributable to participants.

The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund and is attributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee.

All actuarial deficits in the Family Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hasan.

The deficits reported by the Takaful funds during the financial year that are attributable to the Shareholders' fund will be reported as a loss in the financial statements of the respective Takaful funds. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund are treated as equity in the financial statements.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds. Contribution income from the Family Takaful fund are recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised when due.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

Contribution income of the Investment-linked funds includes the net creation of units, which represents contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of the contract. Net creation of units is recognised on a receipt basis.

Retakaful contributions

Retakaful contributions are recognised as an expense when payable or on the date on which the certificate is effective.

Benefits and claims expenses

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

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

- maturity and other certificate benefit payments due on specified dates are treated as benefits payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- benefits payable under the Investment-linked funds are in respect of net cancellation of units and are recognised as surrenders; and
- surplus sharing of Takaful certificates in the financial year when surplus arises.

Retakaful claims are recognised when the related gross Takaful claim is recognised according to the terms of the relevant retakaful contracts.

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

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Commission expenses and management expenses

Commissions and management expenses are borne by the Family Takaful fund in profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of “Wakalah” as approved by the Company’s Shariah Committee and agreed between the participants and the Company. These expenses are transferred to the Shareholders’ fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that they give rise to income.

At each date of the statement of financial position, the Company estimates its net future expense cash flows required on the maintenance of the Family Takaful fund. If the estimate shows that there is a deficiency in the net future expense cash flows, the deficiency is immediately charged to the profit or loss of the Shareholders’ fund with a corresponding credit to the provision of expense liabilities.

Family Takaful contract liabilities

Family Takaful contract liabilities comprise liabilities attributable to the certificate holders, claims liabilities, available-for-sale reserve on financial assets, net asset value attributable to certificate holders and unallocated surplus.

(i) Liabilities attributable to the certificate holders

Actuarial liabilities are recognised when Takaful contracts are entered into and contributions are charged.

Actuarial liabilities as determined by the annual actuarial valuation are based on the Islamic Financial Services Act, 2013 as well as the relevant statutory requirements stated in the Guidelines on Valuation Basis for Liabilities of Family Takaful Business. The actuarial liabilities are derecognised when the Takaful contract expires, is discharged or is cancelled.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru arising from the certificate discounted at the appropriate risk discount rate. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with the Guidelines on Valuation Basis for Liabilities of Family Takaful Business and any related Circulars issued by BNM relevant to the guidelines.

The liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of these liabilities.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(i) Liabilities attributable to the certificate holders (continued)

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

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

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

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

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of Family Takaful Business", as specified by BNM.

(ii) Claims liabilities

The amounts payable under a Family Takaful certificate in respect of benefits and claims, including settlement costs, are accounted for using the case-by-case method as further set out in Note 2.2(j) on the accounting policy for benefits and claims expenses for Family Takaful contracts.

(iii) Fair value adjustment on available-for-sale financial assets

Where unrealised gains or losses arise from AFS financial assets of the Family Takaful fund, the adjustment to the Takaful contract liabilities is equal to the effect that the realisation of these gains or losses at the end of the reporting period would have on these liabilities is recognised directly in other comprehensive income.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(iv) Net asset value attributable to certificate holders

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

(v) Unallocated surplus

Surpluses of contracts under the surplus sharing Family Takaful fund are attributable to certificate holders and shareholders and the amount and timing of distribution to both the certificate holders and shareholders are determined by an actuarial valuation of the long term liabilities to certificate holders at the date of the statement of financial position and is made in accordance with the provisions of the Islamic Financial Services Act, 2013 and the related regulations by the Company's Appointed Actuary.

Surpluses in the non-surplus sharing fund arising during the financial year are recognised in the statement of comprehensive income and the unallocated surplus at the end of the financial year are held in the Takaful contract liabilities.

Unallocated surpluses of the surplus sharing funds where the amount of surplus allocation to the certificate holders has yet to be determined by the end of the financial year are held within the Takaful contract liabilities.

(k) General Takaful contracts

General Takaful fund

The General Takaful fund is maintained in accordance with the Islamic Financial Services Act, 2013, and consists of outstanding claims liability, contribution liability and surplus/deficit attributable to participants which represents the participants' share in the net surplus of the General Takaful fund's profit or loss. Surplus is distributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee. Any deficit in the General Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hasan.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

Contribution income

Contributions are recognised as soon as the amount of the contributions can be reliably measured in accordance with the principles of Shariah. Gross contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Gross contributions from direct business are recognised during the financial year upon the issuance of certificates. Gross contributions in respect of risks accepted for which certificates have not been issued as of the date of the statement of financial position are accrued at that date.

Claims and expenses

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to certificate holders or third parties losses caused by the certificate holders. They include direct claims settlement cost and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

Commission expenses and management expenses

Commissions and management expenses are borne by the General Takaful fund in the profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of "Wakalah" as approved by the Company's Shariah Committee and agreed between the participants and the Company. These expenses are transferred to the Shareholders' fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that they give rise to income.

General Takaful contract liabilities

General Takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

These liabilities comprise of outstanding claims liability, contribution liability, available-for-sale reserve on financial assets and unallocated surplus.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(i) Outstanding claims liability

Outstanding claims liability are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, taking into account the reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions. The liability is not discounted for the time value of money. No specific provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of General Takaful Business", as specified by BNM, for which an appropriate allowance for provision of risk margin for adverse deviation is also made in the valuation of this liability.

(ii) Contribution liability

The contribution liability is calculated at the higher of the Unearned Contribution Reserve ("UCR") and the Unexpired Risk Reserve ("URR") at the individual class level. The UCR represents the portion of the gross contributions of Takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the date of the statement of financial position, the method that most accurately reflects the actual unearned contribution used is as follows:

- 1/365th method for all classes of General Takaful business; and
- Non-annual certificates are time-apportioned over the period of the risks.

UCR is determined on a net contribution basis, which is the gross contributions net of the related retakaful contributions ceded to qualified retakaful operators, reduced by the corresponding percentage of accounted gross direct business commission, agency related expenses and management expenses, not exceeding the limits specified by BNM.

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

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(ii) Contribution liability (continued)

URR represents the ultimate claims amount corresponding to the UCR. The estimation of the URR is determined by an independent actuarial firm, Actuarial Partners Consulting Sdn Bhd (Actuarial Partners). For the purpose of calculating the best estimate of the URR, an Ultimate Loss Ratio from the most recent exposure period is multiplied with the UCR. However for the Company's long term product, Actuarial Partners have adopted a Gross Premium Valuation ("GPV") method, which is a prospective method that takes into account the future timing of cashflows and any uncertainty associated with the contract, to assess the value of the unexpired reserves for the long term product. This is due to its long-term exposure where the Company is required to service the in-force certificates as well as the claims between 20 to 30 years.

Generally, the reserve is released over the term of the contract and is recognised as contribution income.

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of General Takaful Business", as specified by BNM.

With the cessation of the General Takaful business effective 1 July 2018, there is no UCR as at end of the current financial year.

(iii) Fair value adjustment on available-for-sale financial assets

Where unrealised gains or losses arise from AFS financial assets of the General Takaful fund, the adjustment to the Takaful contract liabilities is equal to the effect that the realisation of these gains or losses at the end of the reporting period would have on these liabilities and is recognised directly in other comprehensive income.

(iv) Unallocated surplus

Surplus of contracts under the surplus sharing General Takaful fund is attributable to certificate holders and shareholders and the amount and timing of distribution to both the certificate holders and shareholders are determined by an actuarial valuation at the date of the statement of financial position and is made in accordance with the provisions of the Islamic Financial Services Act, 2013, and the related regulations by the Company's Appointed Actuary.

Unallocated surpluses of the surplus sharing funds where the amount of surplus allocation to the certificate holders has yet to be determined by the end of the financial year is held within the Takaful contract liabilities.

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

2.2 Summary of significant accounting policies (continued)

(l) Takaful receivables

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

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

Takaful receivables are derecognised when the derecognition criteria for financial assets as set out in Note 2.2(f) to the financial statements have been met.

(m) Contingent liabilities and contingent assets

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

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

(n) Qardhul Hasan

Qardhul Hasan is stated at cost and as of the date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable in the near term. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(e) to the financial statements on impairment of assets.

Qardhul Hasan balances are eliminated in preparing the Company's statement of financial position.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Expense liabilities

Expense liability is maintained in the Shareholders' fund in accordance with the requirements stated in the Guidelines on Valuation Basis for Liabilities of General Takaful Business issued by BNM.

The expense liability with respect to General Takaful business is calculated at the higher of the provision for Unearned Wakalah Fee ("UWF") (excluding commission) or the Unexpired Expense Risk ("UER") with provision of risk margin for adverse deviation at the individual class level. UER represents the expense amount expected to be incurred over the unearned period. It is determined by applying a percentage in respect of the claims-related expense on the outstanding claims liability. As there are no UWF provision for the General Takaful fund as at the end of the financial year, the expense liability is hence the UER with provision of risk margin for adverse deviation.

For Family Takaful business, the expense liabilities are determined by taking the present value of projected future deficits, discounted at appropriate risk discount rate. Future deficits are defined as the excess of future expense streams over future income cash flows, on an aggregate basis. Negative expense liabilities of Family Takaful business is being zeroised by holding additional expense reserve.

In addition, an appropriate allowance for provision of risk margin for adverse deviation is made in the valuation of these liabilities.

(p) Other revenue recognition

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

Wakalah fees

Wakalah fees represent fees charged by the Shareholders' fund to manage the Takaful certificates issued by the General and Family Takaful funds under the principle of Wakalah and are recognised as soon as the contributions, to which they relate, can be reliably measured in accordance with the principles of Shariah.

Profit income

Profit income is recognised using the effective profit rate method.

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

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

2.2 Summary of significant accounting policies (continued)

(p) Other revenue recognition (continued)

Dividend income

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

Realised gains and losses on investments

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

(q) Taxation

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

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

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

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

(r) Provisions

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Employee benefits

(i) Short term employee benefits

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

(ii) Post employment benefits

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

(iii) Share-based payment plan

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

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

(t) Zakat

This represents the tithe amount allocated by the Company to the zakat authorities as approved by the Company's Shariah Committee.

(u) Other financial liabilities and Takaful payables

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

(v) Cash and cash equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposable groups) are classified as assets held-for-sale when their carrying amounts are recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.3 Significant accounting judgements, estimates and assumptions

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

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

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

(b) Key sources of estimation uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely exactly equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Provision for Incurred But Not Reported ("IBNR") claims

For the financial year ended 31 December 2018, the estimation of IBNR claims has been computed by Actuarial Partners. Different methods have been used to analyse past data and project past patterns into the future. For the purpose of calculating the final best estimate of the outstanding claims liability, Actuarial Partners adopted the Link Ratio method with a Bornhuetter-Ferguson ("BF") adjustment on an incurred claims basis.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(i) Provision for Incurred But Not Reported ("IBNR") claims (continued)

The BF method is an extension to the Link Ratio method where the Link Ratio method identifies claims patterns experienced in the past and projects these same patterns over future years through the selection of link ratio factors. At each claims development year, the grossing up factors under the BF method are then derived as the inverse of the product of the link ratio factors from the subsequent development year to ultimate. In the BF method, an adopted Ultimate Loss Ratio is then incorporated to arrive at the resultant Ultimate Loss Ratio, where the former is selected based on the historical claims experience, industry loss ratios as well as incurred claims ratios to-date. The IBNR is then determined by subtracting the case estimate from the estimated outstanding claims liability as derived from the BF method.

(ii) Actuarial liabilities for Family Takaful fund

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

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

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

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

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

Discount rate for Family Takaful certificates and the non-unit liability of investment-linked certificates accord a level of guarantee which is no less certain than that accorded by a Government Investment Issue ("GI").

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3 PROPERTY AND EQUIPMENT

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>				
At 1 January 2017	631	289	220	1,140
Additions	-	-	854	854
Reclassification of work-in-progress to intangible assets	-	-	(808)	(808)
At 31 December 2017/ 1 January 2018	631	289	266	1,186
Additions	-	287	630	917
Reclassification of work-in-progress to intangible assets	-	-	(57)	(57)
Disposals	-	(289)	-	(289)
At 31 December 2018	631	287	839	1,757
<u>Accumulated depreciation</u>				
At 1 January 2017	629	289	-	918
Charge for the financial year (note 22)	2	-	-	2
At 31 December 2017/ 1 January 2018	631	289	-	920
Charge for the financial year (note 22)	-	48	-	48
Disposals	-	(289)	-	(289)
At 31 December 2018	631	48	-	679
<u>Net carrying amount</u>				
31 December 2017	-	-	266	266
31 December 2018	-	239	839	1,078

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NOTES TO THE FINANCIAL STATEMENTS
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4 INTANGIBLE ASSETS

Shareholders' fund/Company

	<u>Computer software</u> RM'000	<u>Partnership fee</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January 2017	13,563	-	13,563
Additions	10	37,850	37,860
Reclassification of work-in-progress from property and equipment	808	-	808
At 31 December 2017/1 January 2018	14,381	37,850	52,231
Additions	15	-	15
Reclassification of work-in-progress from property and equipment	57	-	57
Write off	-	(720)	(720)
At 31 December 2018	14,453	37,130	51,583
<u>Accumulated amortisation</u>			
At 1 January 2017	13,527	-	13,527
Amortisation for the financial year (note 22)	126	580	706
At 31 December 2017/1 January 2018	13,653	580	14,233
Amortisation for the financial year (note 22)	310	3,637	3,947
At 31 December 2018	13,963	4,217	18,180
<u>Net carrying amount</u>			
31 December 2017	728	37,270	37,998
31 December 2018	490	32,913	33,403

Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the key assumptions used in cash flow projections in respect of the Partnership Fee to change significantly that would result in impairment.

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5 FINANCIAL ASSETS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Government Investment Issues	169,780	152,525	322,305	-
Cagamas Sukuk	-	10,203	10,203	-
Unquoted Sukuk	156,190	675,582	831,772	-
Quoted equity securities	-	59,076	59,076	-
Unit trust funds	-	44,850	44,850	-
Investments in investment-linked funds	8,552	-	-	-
Total	<u>334,522</u>	<u>942,236</u>	<u>1,268,206</u>	<u>-</u>

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Government Investment Issues	149,098	129,759	278,857	12,239
Cagamas Sukuk	-	10,094	10,094	-
Unquoted Sukuk	137,174	633,890	771,064	16,665
Quoted equity securities	-	71,579	71,579	-
Unit trust funds	11,741	27,878	39,619	-
Investments in investment-linked funds	8,820	-	-	-
Total	<u>306,833</u>	<u>873,200</u>	<u>1,171,213</u>	<u>28,904</u>

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

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
AFS	334,522	838,310	1,164,280	-
FVTPL – designated upon initial recognition	-	103,926	103,926	-
Total	<u>334,522</u>	<u>942,236</u>	<u>1,268,206</u>	<u>-</u>

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5 FINANCIAL ASSETS (CONTINUED)

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

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
AFS	295,092	773,743	1,060,015	28,904
FVTPL – designated upon initial recognition	11,741	99,457	111,198	-
Total	<u>306,833</u>	<u>873,200</u>	<u>1,171,213</u>	<u>28,904</u>

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

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
AFS	<u>312,192</u>	<u>800,135</u>	<u>1,112,327</u>	<u>-</u>
<u>2017</u>				
AFS	<u>286,272</u>	<u>748,537</u>	<u>1,034,809</u>	<u>15,710</u>

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5 FINANCIAL ASSETS (CONTINUED)

(a) AFS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Government Investment Issues	169,780	152,525	322,305	-
Cagamas Sukuk	-	10,203	10,203	-
Unquoted Sukuk	156,190	675,582	831,772	-
Investments in investment-linked funds	8,552	-	-	-
Total	<u>334,522</u>	<u>838,310</u>	<u>1,164,280</u>	<u>-</u>
<u>2017</u>				
Government Investment Issues	149,098	129,759	278,857	12,239
Cagamas Sukuk	-	10,094	10,094	-
Unquoted Sukuk	137,174	633,890	771,064	16,665
Investments in investment-linked funds	8,820	-	-	-
Total	<u>295,092</u>	<u>773,743</u>	<u>1,060,015</u>	<u>28,904</u>

(b) FVTPL – designated upon initial recognition

	Shareholders' fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000
<u>2018</u>			
Quoted equity securities	-	59,076	59,076
Unit trust funds	-	44,850	44,850
Total	<u>-</u>	<u>103,926</u>	<u>103,926</u>
<u>2017</u>			
Quoted equity securities	-	71,579	71,579
Unit trust funds	11,741	27,878	39,619
Total	<u>11,741</u>	<u>99,457</u>	<u>111,198</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	Available-for-sale		FVTPL		Company	Discontinued
	Share- holders' fund	Family Takaful fund	Share- holders' fund	Family Takaful fund		General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	295,092	773,743	11,741	99,457	1,171,213	28,904
Purchases	38,151	304,278	393	81,511	424,333	-
Maturities	-	(23,206)	-	-	(23,206)	(11,219)
Disposals	-	(226,507)	(12,111)	(61,736)	(300,354)	(17,726)
Fair value losses/(gains) recorded in:						
Profit or loss (note 19)	-	-	(23)	(15,306)	(15,329)	-
Other comprehensive income	1,096	8,814	-	-	9,910	65
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	268	-
Movement in accrued profit	355	1,174	-	-	1,529	(240)
Amortisation adjustments (note 17)	(172)	14	-	-	(158)	216
At 31 December 2018	<u>334,522</u>	<u>838,310</u>	<u>-</u>	<u>103,926</u>	<u>1,268,206</u>	<u>-</u>

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5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2017	267,547	29,857	701,075	-	32,791	1,023,232
Purchases	25,065	15,121	223,720	20,213	105,246	389,365
Maturities	-	(11,007)	-	-	-	(11,007)
Disposals	-	(5,053)	(150,801)	(8,495)	(50,584)	(214,933)
Fair value gains recorded in:						
Profit or loss (note 19)	-	-	-	23	12,004	12,027
Other comprehensive income/(loss)	2,522	119	(565)	-	-	2,076
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(782)
Movement in accrued profit	105	(25)	547	-	-	627
Amortisation adjustments (note 17)	(147)	(108)	(233)	-	-	(488)
Transfer to assets of a disposal group classified as held-for-sale (Note 11)	-	(28,904)	-	-	-	(28,904)
At 31 December 2017	<u>295,092</u>	<u>-</u>	<u>773,743</u>	<u>11,741</u>	<u>99,457</u>	<u>1,171,213</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy

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

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

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

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as 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.

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2018.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>Continuing operations</u>			
<u>2018</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	169,780	169,780
- Unquoted Sukuk	-	156,190	156,190
- Investments in investment-linked funds	8,552	-	8,552
	<u>8,552</u>	<u>325,970</u>	<u>334,522</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>Continuing operations</u> (continued)			
<u>2018</u> (continued)			
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	152,525	152,525
- Cagamas Sukuk	-	10,203	10,203
- Unquoted Sukuk	-	675,582	675,582
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	59,076	-	59,076
- Unit trust funds	44,850	-	44,850
	<u>103,926</u>	<u>838,310</u>	<u>942,236</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	322,305	322,305
- Cagamas Sukuk	-	10,203	10,203
- Unquoted Sukuk	-	831,772	831,772
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	59,076	-	59,076
- Unit trust funds	44,850	-	44,850
	<u>103,926</u>	<u>1,164,280</u>	<u>1,268,206</u>

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NOTES TO THE FINANCIAL STATEMENTS
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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>Continuing operations</u>			
<u>2017</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	149,098	149,098
- Unquoted Sukuk	-	137,174	137,174
- Investments in investment-linked funds	8,820	-	8,820
<u>FVTPL – designated upon initial recognition</u>			
- Unit trust funds	11,741	-	11,741
	<u>20,561</u>	<u>286,272</u>	<u>306,833</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	129,759	129,759
- Cagamas Sukuk	-	10,094	10,094
- Unquoted Sukuk	-	633,890	633,890
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	71,579	-	71,579
- Unit trust funds	27,878	-	27,878
	<u>99,457</u>	<u>773,743</u>	<u>873,200</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2017</u>			
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	278,857	278,857
- Cagamas Sukuk	-	10,094	10,094
- Unquoted Sukuk	-	771,064	771,064
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	71,579	-	71,579
- Unit trust funds	39,619	-	39,619
	<u>111,198</u>	<u>1,060,015</u>	<u>1,171,213</u>
<u>Discontinued operations</u>			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,239	12,239
- Unquoted Sukuk	-	16,665	16,665
	<u>-</u>	<u>28,904</u>	<u>28,904</u>

There are no transfers between Level 1 and 2 of the fair value hierarchy during the current financial year.

6 FINANCING AND RECEIVABLES

	<u>Continuing operations</u>			<u>Discontinued operations</u>
	<u>Shareholders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>General Takaful fund</u>
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Fixed and call deposits with licensed financial institutions	<u>34,698</u>	<u>66,869</u>	<u>101,567</u>	<u>-</u>
Receivable within 12 months	<u>34,698</u>	<u>66,869</u>	<u>101,567</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 FINANCING AND RECEIVABLES (CONTINUED)

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Fixed and call deposits with licensed financial institutions	33,061	83,378	116,439	10,391
Receivable within 12 months	33,061	83,378	116,439	10,391

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

Included in the fixed and call deposits with licensed financial institutions is an amount of RM1,914,709 (2017: RM1,850,854) which has been pledged to a financial institution for a bank guarantee facility.

7 TAKAFUL RECEIVABLES

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Outstanding contributions including agents, brokers and co-takaful balances	-	3,216	3,216	-
Less: Allowance for impairment (note 30)	-	-	-	-
	-	3,216	3,216	-
Amount due from retakaful operators	689	30,966	31,655	-
Less: Allowance for impairment (note 30)	(689)	-	(689)	-
	-	30,966	30,966	-
Total	-	34,182	34,182	-

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 TAKAFUL RECEIVABLES (CONTINUED)

	Continuing operations			Discontinued
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018 (continued)</u>				
Gross amounts of recognised financial assets	71	47,804	47,875	-
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(71)	(13,622)	(13,693)	-
Net amounts of financial assets presented in the statement of financial position	-	34,182	34,182	-
<u>2017</u>				
Outstanding contributions including agents, brokers and co-takaful balances	-	20,626	20,626	3,073
Less: Allowance for impairment (note 30)	-	(8)	(8)	-
	-	20,618	20,618	3,073
Amount due from retakaful operators	-	9,858	9,858	744
Less: Allowance for impairment (note 30)	-	-	-	(744)
	-	9,858	9,858	-
Total	-	30,476	30,476	3,073
Gross amounts of recognised financial assets	-	33,512	33,512	3,144
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	-	(3,036)	(3,036)	(71)
Net amounts of financial assets presented in the statement of financial position	-	30,476	30,476	3,073

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

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2018 (2017: nil).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 RETAKAFUL ASSETS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Retakaful of Takaful contracts				
- Takaful contract liabilities (note 12)	545	92,417	92,962	-
	<u>545</u>	<u>92,417</u>	<u>92,962</u>	<u>-</u>
Receivable within 12 months	464	26,521	26,985	-
Receivable after 12 months	81	65,896	65,977	-
	<u>545</u>	<u>92,417</u>	<u>92,962</u>	<u>-</u>
<u>2017</u>				
Retakaful of Takaful contracts				
- Takaful contract liabilities (note 12)	-	87,260	87,260	7,088
	<u>-</u>	<u>87,260</u>	<u>87,260</u>	<u>7,088</u>
Receivable within 12 months	-	24,847	24,847	3,623
Receivable after 12 months	-	62,413	62,413	3,465
	<u>-</u>	<u>87,260</u>	<u>87,260</u>	<u>7,088</u>

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NOTES TO THE FINANCIAL STATEMENTS
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9 OTHER RECEIVABLES

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Amount due from related party	-	834	834	-
Dividend receivable	-	171	171	-
Interfund balances	5,807	-	-	-
Surplus sharing from Family Takaful fund	29,694	-	-	-
Sharing of investment income from Participants' Account fund	2,558	-	-	-
Tax recoverable ¹	-	2,459	2,459	-
Other receivables	722	626	1,348	-
	<u>38,781</u>	<u>4,090</u>	<u>4,812</u>	<u>-</u>
Receivable within 12 months	<u>38,781</u>	<u>4,090</u>	<u>4,812</u>	<u>-</u>
<u>2017</u>				
Amount due from related party	-	7	7	5
Dividend receivable	-	360	360	-
Interfund balances	11,613	-	-	-
Surplus sharing from General Takaful fund	9,868	-	-	-
Surplus sharing from Family Takaful fund	48,223	-	-	-
Sharing of investment income from Participants' Account fund	2,268	-	-	-
Other receivables	1,879	827	2,706	-
	<u>73,851</u>	<u>1,194</u>	<u>3,073</u>	<u>5</u>
Receivable within 12 months	<u>73,851</u>	<u>1,194</u>	<u>3,073</u>	<u>5</u>

¹ The Company received a Notice of Additional Assessment ("Form JA") dated 28 December 2018 for Year of Assessment ("YA") 2013. Inland Revenue Board (IRB) is of the view that retakaful contribution returned to the ceded company is commission earned and taxable as other incidental income under the Income Tax Act 1967. The Company disagreed with IRB's justification as the retakaful contribution should be a business deduction and not be treated as other incidental income which is subject to tax.

However, the Company has paid the additional taxes under protest and is pursuing this matter with IRB.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 OTHER RECEIVABLES (CONTINUED)

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

Amount due from related party is unsecured, profit free and has no fixed repayment terms.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 DEFERRED TAX ASSETS/(LIABILITIES)

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

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

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Deferred tax liabilities	(816)	(353)	(1,169)	-
Current	58	-	58	-
Non-current	(874)	(353)	(1,227)	-
	(816)	(353)	(1,169)	-
Comprising:				
Continuing operations	(816)	(353)	(1,169)	-
	(816)	(353)	(1,169)	-
<u>2017</u>				
Deferred tax assets	3,025	(864)	2,161	236
Current	2,232	-	2,232	165
Non-current	793	(864)	(71)	71
	3,025	(864)	2,161	236
Comprising:				
Continuing operations	3,025	(864)	2,161	-
Discontinued operations (Note 11)	-	-	-	236
	3,025	(864)	2,161	236

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets/(liabilities) are as follows:

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
At 1 January	3,025	(864)	2,161	236
<u>(Charged)/credited to profit or loss</u>				
- Property and equipment	-	(7)	(7)	6
- FVTPL financial assets	47	1,223	1,270	(52)
- Allowance for doubtful debts	-	-	-	(174)
- Expense liabilities	(1,451)	-	(1,451)	-
- Provision of expenses	(2,174)	-	(2,174)	-
Taxation	(3,578)	1,216	(2,362)	(220)
<u>Charged to other comprehensive income</u>				
- AFS financial assets	(263)	(705)	(968)	(16)
At 31 December	(816)	(353)	(1,169)	-
Comprising:				
(Charged)/credited to statement of profit or loss				
- continuing operations (Note 24)	(2,047)	1,216	(831)	-
- discontinued operations	(1,531)	-	(1,531)	(220)
	(3,578)	1,216	(2,362)	(220)
Comprising:				
Charged to comprehensive income				
- continuing operations	(263)	(705)	(968)	-
- discontinued operations (Note 11)	-	-	-	(16)
	(263)	(705)	(968)	(16)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets/(liabilities) are as follows: (continued)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2017</u>				
At 1 January	3,209	240	94	3,543
<u>Credited/(charged) to profit or loss</u>				
- Property and equipment	-	(17)	(56)	(73)
- FVTPL financial assets	29	25	(947)	(893)
- Allowance for doubtful debts	-	16	-	16
- Expense liabilities	143	-	-	143
- Provision of expenses	249	-	-	249
Taxation	421	24	(1,003)	(558)
<u>(Charged)/credited to other comprehensive income</u>				
- AFS financial assets	(605)	(28)	45	(588)
Transfer to assets of a disposal group (note 11)	-	(236)	-	(236)
At 31 December	<u>3,025</u>	<u>-</u>	<u>(864)</u>	<u>2,161</u>
Comprising:				
<u>Credited/(charged) to statement of profit or loss</u>				
- continuing operations (Note 24)	382	-	(1,003)	(621)
- discontinued operations	39	24	-	63
	<u>421</u>	<u>24</u>	<u>(1,003)</u>	<u>(558)</u>
Comprising:				
<u>(Charged)/credited to comprehensive income</u>				
- continuing operations	(605)	-	45	(588)
- discontinued operations (Note 11)	-	(28)	-	-
	<u>(605)</u>	<u>(28)</u>	<u>45</u>	<u>(588)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	<u>Continuing operations</u>			<u>Discontinued operations</u>
	<u>Shareholders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>General Takaful fund</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2018</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets</u> (before offsetting)				
Expense liabilities	105	-	105	-
Provision of expenses	58	-	58	-
	<u>163</u>	<u>-</u>	<u>163</u>	<u>-</u>
Offsetting	(979)	(353)	(1,332)	-
Deferred tax assets (after offsetting)	<u>(816)</u>	<u>(353)</u>	<u>(1,169)</u>	<u>-</u>
<u>Deferred tax liabilities</u> (before offsetting)				
Financial assets	979	259	1,238	-
Property and equipment	-	94	94	-
	<u>979</u>	<u>353</u>	<u>1,332</u>	<u>-</u>
Offsetting	(979)	(353)	(1,332)	-
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	<u>Continuing operations</u>			<u>Discontinued operations</u>
	<u>Shareholders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>General Takaful fund</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2017</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets</u> (before offsetting)				
Financial assets	-	-	-	67
Allowance for doubtful debts	-	-	-	174
Expense liabilities	1,556	-	1,556	-
Provision of expenses	2,231	-	2,231	-
	<u>3,787</u>	<u>-</u>	<u>3,787</u>	<u>241</u>
Offsetting	(762)	(864)	(1,626)	(5)
Deferred tax assets (after offsetting)	<u>3,025</u>	<u>(864)</u>	<u>2,161</u>	<u>236</u>
<u>Deferred tax liabilities</u> (before offsetting)				
Financial assets	762	778	1,540	-
Property and equipment	-	86	86	5
	<u>762</u>	<u>864</u>	<u>1,626</u>	<u>5</u>
Offsetting	(762)	(864)	(1,626)	(5)
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

The Islamic Financial Services Act 2013 (IFSA) required all composite Takaful Operators to segregate their composite licences into separate Family Takaful and General Takaful licences by 1 July 2018. In compliance with this Act, the Company had relinquished its composite Takaful License and was granted a Family Takaful licence by the Minister of Finance to conduct its Family Takaful business.

Accordingly, the assets, liabilities and results of the General Takaful business as of 1 July 2018 in the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of cash flows of the General Takaful Fund have been classified as discontinued operations.

The components of assets and liabilities held-for-sale attributable to the discontinued operations are as follows:

(i) Assets of a disposal group classified as held-for-sale

	2018		2017	
	General		General	
	<u>Takaful fund</u>	<u>Company</u>	<u>Takaful fund</u>	<u>Company</u>
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets (note 5)	-	-	28,904	28,904
Financing and receivables (note 6)	-	-	10,391	10,391
Takaful receivables (note 7)	-	-	3,073	3,073
Retakaful assets (note 8)	-	-	7,088	7,088
Other receivables (note 9)	-	-	5	5
Deferred tax assets (note 10)	-	-	236	236
Cash and bank balances	-	-	2,524	2,524
Total assets	-	-	52,221	52,221

(ii) Liabilities of a disposal group classified as held-for-sale

	2018		2017	
	General		General	
	<u>Takaful fund</u>	<u>Company</u>	<u>Takaful fund</u>	<u>Company</u>
	RM'000	RM'000	RM'000	RM'000
Takaful contract liabilities (note 12)	-	-	38,736	38,736
Takaful payables (note 13)	-	-	2,170	2,170
Other payables (note 14)	-	-	11,315	409
Total liabilities	-	-	52,221	41,315

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows:

(i) Statement of Comprehensive Income

	2018			2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution (note 16(a))	-	-	19,462	-	-	46,779
Contribution ceded to retakaful operators (note 16 (b))	-	-	(4,686)	-	-	(4,917)
Net earned contribution	-	-	14,776	-	-	41,862
Wakalah income	9,391	9,391	-	28,021	28,021	-
Surplus sharing from General Takaful fund	4,290	4,290	-	9,868	9,868	-
Investment income (note 17)	-	-	1,164	-	-	1,768
Realised gains (note 18)	-	-	-	-	-	2
Other operating income (note 20)	4,329	4,329	83	(249)	(249)	75
Total income	18,010	18,010	16,023	37,640	37,640	43,707

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NOTES TO THE FINANCIAL STATEMENTS
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11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	2018			2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid (note 21(a))	-	-	(4,885)	-	-	(5,263)
Claims ceded to retakaful operators (note 21(b))	-	-	1,622	-	-	2,051
Gross change in Takaful contract liabilities (note 21(c))	-	-	2,245	-	-	(1,997)
Change in Takaful contract liabilities ceded to retakaful operators (note 21(d))	-	-	(2,139)	-	-	(641)
	-	-	(3,157)	-	-	(5,850)
Surplus sharing with Takaful operator	-	-	(4,290)	-	-	(9,868)
Wakalah expenses	-	-	(9,391)	-	-	(28,021)
Realised losses (note 18)	-	-	(489)	-	-	-
Commission expenses	(5,292)	(5,292)	-	(16,695)	(16,695)	-
Management expenses	(11,869)	(11,869)	-	(11,340)	(11,340)	-
Other operating expenses (note 23)	-	-	-	-	-	(115)
	(17,161)	(17,161)	(14,170)	(28,035)	(28,035)	(38,004)
Total expenses	(17,161)	(17,161)	(17,327)	(28,035)	(28,035)	(43,854)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	<u>2018</u>			<u>2017</u>		
	<u>Continuing operations</u>		<u>Discontinued operations</u>	<u>Continuing operations</u>		<u>Discontinued operations</u>
	<u>Share-holders' fund</u>	<u>Company</u>	<u>General Takaful fund</u>	<u>Share-holders' fund</u>	<u>Company</u>	<u>General Takaful fund</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	849	849	(1,304)	9,605	9,605	(147)
Tax income attributable to participants	-	-	1,304	-	-	147
Profit before taxation attributable to Shareholders	849	849	-	9,605	9,605	-
Taxation (note 24)	(1,497)	(1,497)	1,304	(2,749)	(2,749)	147
Tax income attributable to participants	-	-	(1,304)	-	-	(147)
Tax expense attributable to Shareholders	(1,497)	(1,497)	-	(2,749)	(2,749)	-
Net (loss)/profit for the financial year	(648)	(648)	-	6,856	6,856	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	<u>2018</u>			<u>2017</u>		
	<u>Continuing operations</u>		<u>Discontinued operations</u>	<u>Continuing operations</u>		<u>Discontinued operations</u>
	<u>Share-holders' fund</u>	<u>Company</u>	<u>General Takaful fund</u>	<u>Share-holders' fund</u>	<u>Company</u>	<u>General Takaful fund</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income: Items that may be subsequently reclassified to profit or loss: Fair value changes on available-for-sale financial assets:						
- Revaluation	-	-	-	-	-	101
- Transfer to profit or loss upon disposal	-	-	65	-	-	18
- Gross fair value changes (note 5(c))	-	-	65	-	-	119
- Deferred taxation (note 10)	-	-	(16)	-	-	(28)
- Net fair value changes	-	-	49	-	-	91

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	2018			2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Changes in Takaful contract liabilities arising from unrealised net fair value changes (note 12)	-	-	(49)	-	-	(91)
Other comprehensive income for the financial year, net of tax	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES

	2018			2017				
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations		
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross	1,916	1,067,695	1,061,059	-	-	997,762	988,942	38,736
Retakaful (note 8)	(545)	(92,417)	(92,962)	-	-	(87,260)	(87,260)	(7,088)
Net	1,371	975,278	968,097	-	-	910,502	901,682	31,648
Current	1,168	141,380	142,548	-	-	164,734	164,734	23,196
Non-current	203	833,898	825,549	-	-	745,768	745,768	8,452
	1,371	975,278	968,097	-	-	910,502	901,682	31,648

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

(a) Family Takaful contract liabilities

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

	2018			2017		
	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000
Certificate holders' liabilities	956,930	(76,487)	880,443	915,834	(73,774)	842,060
Net asset value attributable to certificate holders	43,643	-	43,643	26,225	-	26,225
Actuarial liabilities	1,000,573	(76,487)	924,086	942,059	(73,774)	868,285
Claims liabilities	35,593	(15,930)	19,663	23,805	(13,486)	10,319
Unallocated surplus	24,609	-	24,609	33,087	-	33,087
Available-for-sale fair value adjustment						
- gross	7,522	-	7,522	(1,292)	-	(1,292)
- deferred tax	(602)	-	(602)	103	-	103
- net	6,920	-	6,920	(1,189)	-	(1,189)
	<u>1,067,695</u>	<u>(92,417)</u>	<u>975,278</u>	<u>997,762</u>	<u>(87,260)</u>	<u>910,502</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>2018</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2018	997,762	(87,260)	910,502
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	26,514	(60,925)	(34,411)
Benefits	(144,216)	74,838	(69,378)
Investment returns	34,000	(2,364)	31,636
Others	(13,217)	(1,072)	(14,289)
Experience variance on inforce Takaful certificates	(11,052)	2,176	(8,876)
Reserve on new Takaful certificates	150,661	(25,791)	124,870
Miscellaneous	(1,594)	10,425	8,831
Movement in net asset value attributable to certificate holders	17,418	-	17,418
Movement in claims liabilities	11,788	(2,444)	9,344
Movement in unallocated surplus	(8,478)	-	(8,478)
Movement in AFS fair value adjustment	8,109	-	8,109
At 31 December 2018	<u>1,067,695</u>	<u>(92,417)</u>	<u>975,278</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>2017</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2017	834,531	(37,743)	796,788
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	34,345	(51,556)	(17,211)
Benefits	(111,420)	55,106	(56,314)
Investment returns	29,548	(956)	28,592
Others	(26,685)	(585)	(27,270)
Experience variance on inforce Takaful certificates	(1,017)	774	(243)
Reserve on new Takaful certificates	194,623	(12,750)	181,873
Miscellaneous	25,573	(34,599)	(9,026)
Movement in net asset value attributable to certificate holders	5,250	-	5,250
Movement in claims liabilities	6,513	(4,951)	1,562
Movement in unallocated surplus	7,021	-	7,021
Movement in AFS fair value adjustment	(520)	-	(520)
At 31 December 2017	<u>997,762</u>	<u>(87,260)</u>	<u>910,502</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

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

	2018			Discontinued operations 2017		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
Provision for claims reported by certificate holders	-	-	-	4,705	(2,040)	2,665
Provision for IBNR	-	-	-	11,203	(3,424)	7,779
Provision for outstanding claims (i)	-	-	-	15,908	(5,464)	10,444
Contribution liabilities (ii)	-	-	-	10,228	(1,624)	8,604
Unallocated surplus	-	-	-	12,649	-	12,649
Available-for-sale fair value adjustment						
- gross	-	-	-	(65)	-	(65)
- deferred tax	-	-	-	16	-	16
- net	-	-	-	(49)	-	(49)
	-	-	-	38,736	(7,088)	31,648

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

(b) General Takaful contract liabilities

(i) Provision for outstanding claims

	2018			Discontinued operations 2017		
	Gross	Re-	Net	Gross	Re-	Net
	RM'000	takaful RM'000	RM'000	RM'000	takaful RM'000	RM'000
At 1 January	15,908	(5,464)	10,444	23,779	(6,105)	17,674
Claims incurred in the current accident year	2,065	(401)	1,664	10,290	(3,347)	6,943
Other movements in claims incurred in prior accident years	(11,172)	3,698	(7,474)	(12,898)	1,937	(10,961)
Claims paid during the financial year (note 21(a) and (b))	(4,885)	1,622	(3,263)	(5,263)	2,051	(3,212)
Provision for IBNR transfer to shareholders' fund	(1,342)	497	(845)	-	-	-
Provision for outstanding claims transfer to shareholders' fund	(574)	48	(526)	-	-	-
At 31 December	-	-	-	15,908	(5,464)	10,444

(ii) Contribution liabilities

	2018			Discontinued operations 2017		
	Gross	Re-	Net	Gross	Re-	Net
	RM'000	takaful RM'000	RM'000	RM'000	takaful RM'000	RM'000
At 1 January	10,228	(1,624)	8,604	8,757	(1,035)	7,722
Contribution written in the financial year (note 16(a) and (b))	16,412	(3,216)	13,196	48,250	(5,506)	42,744
Contribution earned during the financial year	(26,640)	4,840	(21,800)	(46,779)	4,917	(41,862)
At 31 December	-	-	-	10,228	(1,624)	8,604

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Shareholders' Takaful contract liabilities

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

	2018			2017		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
Provision for IBNR	1,342	(497)	845	-	-	-
Provision for claims reported by certificate holders	574	(48)	526	-	-	-
Provision for outstanding claims (i)	1,916	(545)	1,371	-	-	-
	<u>1,916</u>	<u>(545)</u>	<u>1,371</u>	<u>-</u>	<u>-</u>	<u>-</u>

(i) Provision for outstanding claims

	2018			Continuing operations 2017		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January	-	-	-	-	-	-
Provision for IBNR transfer to shareholders' fund	1,342	(497)	845	-	-	-
Provision for outstanding claims transfer to shareholders' fund	574	(48)	526	-	-	-
At 31 December	<u>1,916</u>	<u>(545)</u>	<u>1,371</u>	<u>-</u>	<u>-</u>	<u>-</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(d) Takaful contract liabilities at Company level

	2018			Continuing operations 2017		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Family Takaful fund (note 12(a))	1,067,695	(92,417)	975,278	997,762	(87,260)	910,502
General Takaful fund (note 12(b))	-	-	-	-	-	-
Shareholders' fund (note 12(c))	1,916	(545)	1,371	-	-	-
	<u>1,069,611</u>	<u>(92,962)</u>	<u>976,649</u>	<u>997,762</u>	<u>(87,260)</u>	<u>910,502</u>
Elimination of shareholders' fund investment in investment-linked funds	(8,552)	-	(8,552)	(8,820)	-	(8,820)
Total	<u><u>1,061,059</u></u>	<u><u>(92,962)</u></u>	<u><u>968,097</u></u>	<u><u>988,942</u></u>	<u><u>(87,260)</u></u>	<u><u>901,682</u></u>

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13 TAKAFUL PAYABLES

	Continuing operations			Discontinued
	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000	General Takaful fund RM'000
<u>2018</u>				
Due to agents and intermediaries	29	3,513	3,542	-
Due to retakaful operators and cedants	71	38,065	38,136	-
	<u>100</u>	<u>41,578</u>	<u>41,678</u>	<u>-</u>
Gross amounts of recognised financial liabilities	171	55,200	55,371	-
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(71)	(13,622)	(13,693)	-
Net amounts of financial liabilities presented in the statement of financial position	<u>100</u>	<u>41,578</u>	<u>41,678</u>	<u>-</u>
<u>2017</u>				
Due to agents and intermediaries	-	5,290	5,290	971
Due to retakaful operators and cedants	-	16,144	16,144	1,199
	<u>-</u>	<u>21,434</u>	<u>21,434</u>	<u>2,170</u>
Gross amounts of recognised financial liabilities	-	24,470	24,470	2,241
Less: Gross amounts of recognised financial assets set off in the statement of financial position	-	(3,036)	(3,036)	(71)
Net amounts of financial liabilities presented in the statement of financial position	<u>-</u>	<u>21,434</u>	<u>21,434</u>	<u>2,170</u>

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

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2018 (2017: nil).

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NOTES TO THE FINANCIAL STATEMENTS
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14 OTHER PAYABLES

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Amount due to related parties	7,362	-	7,362	-
Accrual for professional fees	786	-	786	-
Interfund balances	-	5,807	-	-
Deposits received	-	2,147	2,147	-
Surplus sharing to Takaful Operator	-	29,694	-	-
Sharing of investment income from Participants' Account fund	-	2,558	-	-
Accrual for sales and marketing expenses	16,653	-	16,653	-
Accrual for sharing of wakalah fees	556	-	556	-
Other payables and accrued liabilities	16,049	6,119	22,168	-
	<u>41,406</u>	<u>46,325</u>	<u>49,672</u>	<u>-</u>
Payable within 12 months	<u>41,406</u>	<u>46,325</u>	<u>49,672</u>	<u>-</u>
<u>2017</u>				
Amount due to related parties	15,279	-	15,279	-
Accrual for professional fees	718	-	718	-
Interfund balances	-	10,575	-	1,038
Deposits received	-	3,177	3,177	2
Surplus sharing to Takaful Operator	-	48,223	-	9,868
Sharing of investment income from Participants' Account fund	-	2,268	-	-
Accrual for sales and marketing expenses	19,962	-	19,962	-
Accrual for sharing of wakalah fees	581	-	581	-
Other payables and accrued liabilities	20,178	3,117	23,295	407
	<u>56,718</u>	<u>67,360</u>	<u>63,012</u>	<u>11,315</u>
Payable within 12 months	<u>56,718</u>	<u>67,360</u>	<u>63,012</u>	<u>11,315</u>

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

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15 SHARE CAPITAL

	2018		2017	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<u>Ordinary shares issued and paid up</u>				
At 1 January	100,000	199,990	100,000	100,000 ²
Transition to no-par value regime on 31 January 2017 ¹	-	-	-	99,990
At 31 December – ordinary shares with no par value	100,000	199,990	100,000	199,990
<u>Islamic Perpetual Non-Cumulative Preference Shares (“IPPS”) issued and paid up</u>				
At 1 January	100	10	100	10 ²
At 31 December – preference shares with no par value	100	10	100	10
At 31 December	100,100	200,000	100,100	200,000

¹ The new Companies Act 2016 (the “New Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM99,990,000 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

² Shares of RM1.00 each.

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15 SHARE CAPITAL (CONTINUED)

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

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

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

The IPPS are not convertible to ordinary shares of the Company and the tenure of the IPPS is perpetual and redeemable after year 5 (33,000 in year 2015 and 67,000 in year 2016) at the sole option of the Company subject to Bank Negara Malaysia's approval. At the date of this report, the Company has yet to exercise its redemption option.

16 NET EARNED CONTRIBUTION

	<u>2018</u> RM'000	<u>2017</u> RM'000
(a) Gross earned contribution		
<u>Continuing operations</u>		
Takaful contracts:		
Family Takaful	436,875	486,915
	<u>436,875</u>	<u>486,915</u>
<u>Discontinued operations</u>		
Takaful contracts:		
General Takaful (note 12(b)(ii))	16,412	48,250
Movement in unearned contribution reserves	3,050	(1,471)
	<u>19,462</u>	<u>46,779</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16	NET EARNED CONTRIBUTION (CONTINUED)			<u>2018</u> RM'000	<u>2017</u> RM'000
	(b) Contribution ceded				
	<u>Continuing operations</u>				
	Takaful contracts:				
	Family Takaful			(54,678)	(58,244)
				<u>(54,678)</u>	<u>(58,244)</u>
	<u>Discontinued operations</u>				
	General Takaful (note 12(b)(ii))			(3,216)	(5,506)
	Movement in unearned contribution reserves			(1,470)	589
				<u>(4,686)</u>	<u>(4,917)</u>
	Net earned contribution				
	- Continuing operations			382,197	428,671
	- Discontinued operations			14,776	41,862
				<u>396,973</u>	<u>470,533</u>
17	INVESTMENT INCOME				
			<u>Continuing operations</u>		<u>Discontinued operations</u>
		<u>Shareholders'</u>	<u>Family</u>		<u>General</u>
		<u>fund</u>	<u>Takaful</u>	<u>Company</u>	<u>Takaful</u>
		<u>RM'000</u>	<u>fund</u>	<u>RM'000</u>	<u>fund</u>
			<u>RM'000</u>		<u>RM'000</u>
	<u>2018</u>				
	<u>AFS financial assets</u>				
	Profit income	12,470	37,646	50,116	727
	(Amortisation of premiums)/ accretion of discounts – net	(172)	14	(158)	216
	<u>FVTPL – designated upon initial recognition</u>				
	Dividend income	362	2,573	2,935	-
	<u>Financing and receivables</u>				
	Profit income	1,522	2,698	4,220	221
	Sharing of investment income from Participants' Account fund	2,558	-	-	-
		<u>16,740</u>	<u>42,931</u>	<u>57,113</u>	<u>1,164</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17 INVESTMENT INCOME (CONTINUED)

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
<u>AFS financial assets</u>				
Profit income	11,161	33,829	44,990	1,534
Amortisation of premiums – net	(147)	(233)	(380)	(108)
<u>FVTPL – designated upon initial recognition</u>				
Dividend income	195	2,193	2,388	-
<u>Financing and receivables</u>				
Profit income	1,436	2,948	4,384	342
Sharing of investment income from Participants' Account fund	2,268	-	-	-
	<u>14,913</u>	<u>38,737</u>	<u>51,382</u>	<u>1,768</u>

18 REALISED (LOSSES)/GAINS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	(1,019)	(1,019)	(258)
Government Investment Issues	-	(1,679)	(1,679)	(231)
Cagamas Sukuk	-	-	-	-
	<u>-</u>	<u>(2,698)</u>	<u>(2,698)</u>	<u>(489)</u>
<u>2017</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	295	295	2
Government Investment Issues	-	501	501	-
Cagamas Sukuk	-	82	82	-
	<u>-</u>	<u>878</u>	<u>878</u>	<u>2</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

19 NET FAIR VALUE (LOSSES)/GAINS

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2018</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	(1)	(463)	(464)
- unrealised	(23)	(15,306)	(15,329)
	<u>(24)</u>	<u>(15,769)</u>	<u>(15,793)</u>
<u>2017</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	6	787	793
- unrealised	23	12,004	12,027
	<u>29</u>	<u>12,791</u>	<u>12,820</u>

20 OTHER OPERATING INCOME

	<u>Continuing operations</u>			<u>Discontinued operations</u>
	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000	General Takaful fund RM'000
<u>2018</u>				
Gain on disposal of property and equipment	64	-	64	-
Writeback of allowance for impairment loss (note 30)	-	8	8	36
Fee income	1,830	-	1,830	-
Provision for expense liability	16,662	-	16,662	-
Others	115	86	201	47
	<u>18,671</u>	<u>94</u>	<u>18,765</u>	<u>83</u>
<u>2017</u>				
Writeback of allowance for impairment loss (note 30)	-	-	-	35
Fee income	1,627	-	1,627	-
Provision for expense liability	19,765	-	19,765	-
Others	11	77	88	40
	<u>21,403</u>	<u>77</u>	<u>21,480</u>	<u>75</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

21	NET BENEFITS AND CLAIMS	<u>2018</u> RM'000	<u>2017</u> RM'000
(a)	Gross benefits and claims paid		
	<u>Continuing operations</u>		
	Takaful contracts:		
	Family Takaful	(190,907)	(195,272)
		<u> </u>	<u> </u>
	<u>Discontinued operations</u>		
	Takaful contracts:		
	General Takaful (note 12 (b)(i))	(4,885)	(5,263)
		<u> </u>	<u> </u>
(b)	Claims ceded to retakaful operators		
	<u>Continuing operations</u>		
	Takaful contracts:		
	Family Takaful	48,002	61,017
		<u> </u>	<u> </u>
	<u>Discontinued operations</u>		
	Takaful contracts:		
	General Takaful (note 12 (b)(i))	1,622	2,051
		<u> </u>	<u> </u>
(c)	Gross change in Takaful contract liabilities		
	<u>Continuing operations</u>		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	(58,514)	(150,217)
	- Movement in claims liabilities	(11,788)	(6,513)
	- Movement in unallocated surplus	8,478	(7,021)
		<u> </u>	<u> </u>
		(61,824)	(163,751)
		<u> </u>	<u> </u>
	<u>Discontinued operations</u>		
	<u>General Takaful</u>		
	- Movement in provision for outstanding claims	6,535	7,871
	- Movement in unallocated surplus	(4,290)	(9,868)
		<u> </u>	<u> </u>
		2,245	(1,997)
		<u> </u>	<u> </u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

21	NET BENEFITS AND CLAIMS (CONTINUED)	<u>2018</u> RM'000	<u>2017</u> RM'000
	(d) Change in Takaful contract liabilities ceded to retakaful operators		
	<u>Continuing operations</u>		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	2,713	44,566
	- Movement in claims liabilities	2,444	4,951
		5,157	49,517
	<u>Discontinued operations</u>		
	<u>General Takaful</u>		
	- Movement in provision for outstanding claims	(2,139)	(641)
		(2,139)	(641)
22	MANAGEMENT EXPENSES	<u>2018</u> RM'000	<u>2017</u> RM'000
	<u>Shareholders' fund/Company</u>		
	Staff salaries and bonus	36,562	31,199
	Defined contribution plan	4,979	4,202
	Share based payment plan (note 22(a))	765	452
	Other staff costs	2,109	1,728
		44,415	37,581
	Auditors' remuneration:		
	Statutory audit		
	- current financial year	409	321
	- over provision in prior financial years	(11)	-
	Non-audit services	23	83
	Directors' fees and other emoluments:-		
	- current financial year (note 22(b))	833	920
	Shariah committee remuneration:		
	- fees	172	178
	Amortisation of intangible assets (note 4)	3,947	706
	Depreciation of property and equipment (note 3)	48	2
	Third party administrator fee	758	2,349
	Printing and stationery	1,600	1,413
	Sales and marketing expenses	60,751	53,939
	Professional fees	898	1,250
	Electronic data processing expenses	4,982	4,408
	Other expenses	12,261	12,418
		131,086	115,568

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NOTES TO THE FINANCIAL STATEMENTS
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22 MANAGEMENT EXPENSES (CONTINUED)

(a) Share-based payment plan

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

	<u>2018</u> RM'000	<u>2017</u> RM'000
Sun Share Unit Plan	765	452

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

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NOTES TO THE FINANCIAL STATEMENTS
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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration

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

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits- in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
<u>2018</u>						
Chief Executive Officer:						
Encik Muhammad Fikri Bin Mohamad Rawi	893	125	22	56	-	1,096
	<u>893</u>	<u>125</u>	<u>22</u>	<u>56</u>	<u>-</u>	<u>1,096</u>
Executive Director:						
Encik Karim Gilani	-	-	-	-	-	-
Non-executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	174	174
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	149	149
Encik Jose Isidro Navato Camacho	-	-	-	-	169	169
Dato' Mohd Shukri Bin Hussin	-	-	-	-	148	148
Encik Izlan Bin Izhab	-	-	-	-	97	97
Encik Ooi Say Teng	-	-	-	-	96	96
	<u>893</u>	<u>125</u>	<u>22</u>	<u>56</u>	<u>833</u>	<u>1,929</u>

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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration (continued)

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

<u>Total value of remuneration awards for the financial year:</u>	Fixed remuneration		Variable remuneration		Total RM'000
	Cash-based RM'000	Cash-based RM'000	Shares and share linked instruments RM'000	Benefits- in-kind RM'000	
<u>2018</u>					
Chief Executive Officer:					
Encik Muhammad Fikri Bin Mohamad Rawi	696	322	56	22	1,096
	<u>696</u>	<u>322</u>	<u>56</u>	<u>22</u>	<u>1,096</u>
Executive Director:					
Encik Karim Gilani	-	-	-	-	-
Non-executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	160	14	-	-	174
Encik Pushpanathan A/L S.A. Kanagarayar	135	14	-	-	149
Encik Jose Isidro Navato Camacho	155	14	-	-	169
Dato' Mohd Shukri Bin Hussin	135	13	-	-	148
Encik Izlan Bin Izhab	90	7	-	-	97
Encik Ooi Say Teng	90	6	-	-	96
	<u>1,461</u>	<u>390</u>	<u>56</u>	<u>22</u>	<u>1,929</u>

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

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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration (continued)

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

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits- in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
<u>2017</u>						
Chief Executive Officer:						
Encik Muhammad Fikri Bin Mohamad Rawi ⁽¹⁾	857	120	22	5	-	1,004
	<u>857</u>	<u>120</u>	<u>22</u>	<u>5</u>	<u>-</u>	<u>1,004</u>
Executive Director:						
Encik Karim Gilani (appointed on 8 September 2017)	-	-	-	-	-	-
Non-executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	175	175
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	166	166
Encik Jose Isidro Navato Camacho	-	-	-	-	177	177
Dato' Mohd Shukri Bin Hussin	-	-	-	-	130	130
Encik Izlan Bin Izhab	-	-	-	-	112	112
Encik Ahmad Farouk Bin Mohamed	-	-	-	-	66	66
Encik Renzo Christopher Viegas	-	-	-	-	64	64
Encik Ooi Say Teng	-	-	-	112	30	142
	<u>857</u>	<u>120</u>	<u>22</u>	<u>117</u>	<u>920</u>	<u>2,036</u>

(1) Encik Muhammad Fikri Bin Mohamad Rawi resigned as an Executive Director on 18 July 2017.

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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration (continued)

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

	Fixed remuneration		Variable remuneration		Total RM'000
	Cash-based RM'000	Cash-based RM'000	Shares and share linked instruments RM'000	Benefits- in-kind RM'000	
<u>Total value of remuneration awards for the financial year:</u>					
<u>2017</u>					
Chief Executive Officer:					
Encik Muhammad Fikri Bin Mohamad Rawi	665	312	5	22	1,004
	<u>665</u>	<u>312</u>	<u>5</u>	<u>22</u>	<u>1,004</u>
Executive Director:					
Encik Karim Gilani (appointed on 8 September 2017)	-	-	-	-	-
Non-executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	161	14	-	-	175
Encik Pushpanathan A/L S.A. Kanagarayar	148	18	-	-	166
Encik Jose Isidro Navato Camacho	158	19	-	-	177
Dato' Mohd Shukri Bin Hussin	118	12	-	-	130
Encik Izlan Bin Izhab	104	8	-	-	112
Encik Ahmad Farouk Bin Mohamed	62	4	-	-	66
Encik Renzo Christopher Viegas	60	4	-	-	64
Encik Ooi Say Teng	28	2	112	-	142
	<u>1,504</u>	<u>393</u>	<u>117</u>	<u>22</u>	<u>2,036</u>

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

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23 OTHER OPERATING EXPENSES

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Sharing of investment income to Shareholders' fund	-	2,558	-	-
Others	12,569	1,878	14,447	-
	<u>12,569</u>	<u>4,436</u>	<u>14,447</u>	<u>-</u>
<u>2017</u>				
Sharing of investment income to Shareholders' fund	-	2,268	-	-
Allowance for impairment loss (note 30)	-	2	2	115
Others	12,719	2,081	14,800	-
	<u>12,719</u>	<u>4,351</u>	<u>14,802</u>	<u>115</u>

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24 TAXATION

	2018			2017			
	Continuing operations		Discontinued operations	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	General Takaful fund	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tax expense on the profit for the financial year							
Income tax:							
Current financial year	8,282	1,001	9,283	(1,892)	10,028	1,500	11,528
(Over)/under provision in prior financial years	(1,808)	(264)	(2,072)	368	144	(114)	30
	6,474	737	7,211	(1,524)	10,172	1,386	11,558
Deferred tax (note 10):							
Relating to origination and reversal of temporary differences	2,047	(1,216)	831	220	(382)	1,003	621
	8,521	(479)	8,042	(1,304)	9,790	2,389	12,179

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24 TAXATION (CONTINUED)

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

	<u>Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Profit before taxation attributable to Shareholders	41,099	77,129
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	9,864	18,511
Income not subject to tax	(45,751)	(52,693)
Expenses not deductible for tax purposes	46,958	43,828
Section 110C tax credit set off	(742)	-
(Over)/under provision in prior financial years	(1,808)	144
Tax expense for the financial year	<u>8,521</u>	<u>9,790</u>

25 INVESTMENT-LINKED FUNDS

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of its investment-linked funds as follows:

STATEMENT OF FINANCIAL POSITION

	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
ASSETS		
Fair value through profit or loss financial assets	43,231	26,100
Other receivables	170	110
Cash and bank balances	53	163
Deferred tax assets/(liabilities)	215	(132)
	<u>43,669</u>	<u>26,241</u>
LIABILITIES		
Other liabilities	24	3
Current tax liabilities	2	13
	<u>26</u>	<u>16</u>
NET ASSET VALUE	<u>43,643</u>	<u>26,225</u>

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25 INVESTMENT-LINKED FUNDS (CONTINUED)

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of its investment-linked funds as follows: (continued)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<u>2018</u> RM'000	<u>2017</u> RM'000
REPRESENTED BY:		
CERTIFICATE HOLDERS' ACCOUNT		
At beginning of the financial year	26,225	20,976
Net creation of units	29,816	10,188
Net cancellation of units	(9,165)	(7,594)
(Deficit)/surplus for the financial year after taxation	(3,233)	2,655
	<u>43,643</u>	<u>26,225</u>
At end of the financial year	<u>43,643</u>	<u>26,225</u>

STATEMENT OF INCOME AND EXPENDITURE

Investment income	732	615
Net fair value (losses)/ gains	(4,309)	2,218
(Deficit)/surplus before taxation	(3,577)	2,833
Taxation:		
- current tax	(2)	(13)
- deferred tax	346	(165)
(Deficit)/surplus for the financial year after taxation	<u>(3,233)</u>	<u>2,655</u>

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26 INFORMATION ON CASH FLOWS BY FUNDS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Cash flows from:				
Operating activities	22,391	6,694	14,494	(2,524)
Investing activities	(20,999)	-	(8,932)	-
Net increase/(decrease) in cash and cash equivalents	1,392	6,694	5,562	(2,524)
Cash and cash equivalents:				
At beginning of the financial year	7,040	11,924	21,488	2,524
At end of the financial year	8,432	18,618	27,050	-
<u>2017</u>				
Cash flows from:				
Operating activities	28,051	(3,821)	23,739	(491)
Investing activities	(25,994)	-	(25,994)	-
Net increase/(decrease) in cash and cash equivalents	2,057	(3,821)	(2,255)	(491)
Cash and cash equivalents:				
At beginning of the financial year	4,983	15,745	23,743	3,015
Transfer to assets of disposal group classified as held-for-sale	-	-	(2,524)	-
At end of the financial year	7,040	11,924	18,964	2,524

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27 SIGNIFICANT RELATED PARTY DISCLOSURES

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

<u>Company</u>	<u>Country of incorporation</u>	<u>Relationship</u>
Khazanah Nasional Berhad ("KNB")	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd ("ACSB")	Malaysia	Penultimate holding company (financial holding company)
Renggis Ventures Sdn Bhd ("RVSB")	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada ("SLACC")	Canada	Significant shareholder
Sun Life Financial Inc. ("SLF")	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad ("CIMBG")	Malaysia	Associate of the ultimate holding company
Yayasan Khazanah	Malaysia	Associate of the ultimate holding company
CIG Berhad ("CIGB")	Malaysia	Subsidiary of CIMBG and shareholder of the immediate holding company
CIMB Bank Berhad ("CIMB Bank")	Malaysia	Subsidiary of CIMBG
CIMB Islamic Bank Berhad ("CIBB")	Malaysia	Subsidiary of CIMBG
CIMB-Principal Asset Management Berhad ("CPAM")	Malaysia	Subsidiary of CIMBG
Sun Life Malaysia Assurance Berhad ("SLMAB")	Malaysia	Fellow subsidiary of the ultimate holding company
Key management personnel		*

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

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27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

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

<u>(Income)/ expenses</u>	<u>Location</u>	<u>2018</u> RM'000	<u>2017</u> RM'000
Contribution income received from CIBB	Malaysia	(2,948)	(2,799)
Contribution income received from SLMAB	Malaysia	(285)	(280)
Contribution income received from CPAM	Malaysia	(159)	(188)
Contribution income received from Yayasan Khazanah	Malaysia	(112)	(98)
Profit income earned from deposits placed with CIBB	Malaysia	(698)	(806)
Shared services expenses paid/payable to SLMAB	Malaysia	72,384	62,386
Commissions paid to CIBB	Malaysia	44,282	42,893
Rental expenses paid to SLMAB	Malaysia	72	73
Sales and marketing expenses paid to CIMB Bank	Malaysia	16,872	11,662
Sales and marketing expenses paid to CIBB	Malaysia	298	330
Partnership fees paid to CPAM	Malaysia	8,000	8,480
Recharges of expenses paid to CPAM	Malaysia	100	-
		<u> </u>	<u> </u>

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

	<u>2018</u> RM'000	<u>2017</u> RM'000
Amount due to other related companies within the KNB group:		
Amount due to SLMAB *	(6,527)	(15,267)
Amount due to CIMB Bank *	(6,860)	(6,476)
Amount due to CIBB *	(1,521)	(1,360)
Amount due to CPAM *	(9,000)	(13,780)
	<u> </u>	<u> </u>

* These related party balances are current, unsecured, non-profit bearing and have no fixed repayment terms.

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27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

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

	<u>2018</u> RM'000	<u>2017</u> RM'000
Salaries and other short-term employee benefits	1,253	1,390
Defined contribution plan	176	195
Fees and allowance	833	920
Share-based payment plan	765	452
	<u>3,027</u>	<u>2,957</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM22,430 (2017: RM22,200).

Compensation of senior management and other material risk takers

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

	<u>2018</u>			<u>2017</u>		
	<u>Number of persons</u> RM'000	<u>Unrestricted</u> RM'000	<u>Deferred</u> RM'000	<u>Number of persons</u> RM'000	<u>Unrestricted</u> RM'000	<u>Deferred</u> RM'000
Fixed remuneration						
Cash-based	2	995	-	3	1,049	-
Variable remuneration						
Cash-based	2	434	-	3	536	-
Shares and share- linked remuneration	1	-	56	1	-	5
Benefits-in-kind	1	22	-	1	22	-

28 RISK MANAGEMENT FRAMEWORK

(a) Risk management

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk management (continued)

Takaful risks management in facilitating the optimisation of the risk and return profile of the Company.

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

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

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

(b) Capital management

Capital adequacy risk is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, maintain financial strength or to allow the Group and the Company to take advantage of opportunities for expansion.

The Company's capital risk policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders, and the policyholders. The interest of the shareholders is to maximize returns. The interests of participating and other policyholders are also protected under the appropriate regulatory requirements.

The Internal Capital Adequacy Assessment Process (ICAAP) guideline requires the Capital Management Plan (CMP) to specify thresholds for corrective actions. The Company needs to calibrate the acceptable limits of local solvency, i.e. a corridor of acceptable solvency, where a solvency level outside of this corridor would not meet the risk appetite requirement. The Capital Management Plan specifies the different capital levels, escalation process, possible corrective actions, and the frequency of monitoring based on the capital level.

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28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Governance

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

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

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve the Company’s financial and business objectives, given the organization’s risk tolerances and other constraints. ALM is the practice of managing a business so that decisions made and actions taken with respect to assets and liabilities are appropriately coordinated. This ongoing process is critical for the sound management of any financial intermediary or organization that conducts investment activity to support future cash flow needs and capital requirements. While the primary focus is on long-term economic value, ALM also consider stability of reported earnings, tax effects and capital.

29 TAKAFUL RISKS

(a) Family Takaful

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

The Company’s Family Takaful businesses are exposed to a range of Family Takaful risks from various products. In providing financial advisory services coupled with Takaful protection, the Company has to manage risks such as mortality (the death of certificate holders), morbidity (ill health), persistency, product design and pricing.

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

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

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29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

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

The table below shows the concentration of Family Takaful actuarial liabilities by types of contract.

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>2018</u>			
Mortgage	508,243	(37,914)	470,329
Endowment	44,589	(334)	44,255
Term	337,154	(38,239)	298,915
Others	110,587	-	110,587
	<u>1,000,573</u>	<u>(76,487)</u>	<u>924,086</u>
<u>2017</u>			
Mortgage	502,015	(28,933)	473,082
Endowment	27,015	(346)	26,669
Term	376,690	(44,495)	332,195
Others	36,339	-	36,339
	<u>942,059</u>	<u>(73,774)</u>	<u>868,285</u>

As all of the business is derived from Malaysia, the entire Family Takaful actuarial liabilities are in Malaysia.

Key assumptions

Material judgment is required in determining the actuarial liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

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

Discount rate

Risk free discount rate is used to discount the cash flows for corresponding durations for Takaful certificates' liabilities calculation.

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

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

The risk free rates employed are gross of tax on investment income of the Takaful fund.

Mortality and morbidity

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

Lapse rate

Best estimate assumptions are based on the Company's recent experience studies. Depending on the product's features, PRAD is set at a range of 20% to 35% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the experience of the Company. An inflation rate of 3.8% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked funds' future growth rate

The expected funds' investment return, net of tax, is used to estimate the growth rate assumption of the unit value of the investment-linked funds.

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29 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)Sensitivities

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

	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit after tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2018</u>					
Mortality/morbidity	+10	57,214	9,667	(3,162)	(3,162)
Expenses	+10	8,883	8,883	(8,883)	(8,883)
Lapse and surrender rates	+10	11,392	12,926	(10,697)	(10,697)
Discount rate	-1	18,349	12,871	(7,792)	(7,792)

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29 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities (continued)

	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit after tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2017</u>					
Mortality/morbidity	+10	53,679	8,981	(2,638)	(2,638)
Expenses	+10	8,226	8,226	(8,226)	(8,226)
Lapse and surrender rates	+10	8,317	9,597	(7,390)	(7,390)
Discount rate	-1	20,135	15,669	(9,348)	(9,348)

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

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

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful

The General Takaful business is exposed to underwriting risk which includes the risk of incurring claims costs that are higher than expected due to the random nature of claims, frequency, severity and risk of exposure to changes in legal and economic condition. This could also arise from the underpricing of the contributions, which results in the Company having to receive too little contribution to cover for the risks that it underwrites.

These risks are managed through various risk mitigation measures such as retakaful arrangements as well as appropriate actuarial techniques such as pricing.

The table below sets out the concentration of General Takaful contract liabilities (i.e. outstanding claims liability and contribution liability) by type of contracts.

Shareholders' fund

	Continuing operations					
	2018			2017		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Fire	894	(344)	550	-	-	-
Personal Accident	1,022	(201)	821	-	-	-
	<u>1,916</u>	<u>(545)</u>	<u>1,371</u>	<u>-</u>	<u>-</u>	<u>-</u>

General Takaful fund

	Discontinued operations					
	2018			2017		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Fire	-	-	-	13,012	(2,999)	10,013
Personal Accident	-	-	-	13,124	(4,089)	9,035
	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,136</u>	<u>(7,088)</u>	<u>19,048</u>

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as, judicial decisions and government legislation may affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Sensitivities

The General Takaful claims liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

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

Continuing operations

Shareholders' fund

	<u>Change in assumptions</u> %	<u>Impact on gross Takaful claims liabilities</u> RM'000	<u>Impact on net Takaful claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2018</u>					
ULRs for all business classes for all loss years	+10	2,549	1,579	(854)	(649)
ULRs for Personal Accident class for all loss years	+20	1,504	1,464	(791)	(602)
ULRs for Fire class for all loss years	+20	3,594	1,694	(916)	(696)

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Sensitivities (continued)

Discontinued operations

General Takaful fund

	<u>Change in assumptions</u> %	<u>Impact on gross Takaful claims liabilities</u> RM'000	<u>Impact on net Takaful claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2017</u>					
ULRs for all business classes for all loss years	+10	7,164	4,002	(2,130)	(1,618)
ULRs for Personal Accident class for all loss years	+20	9,545	5,566	(3,040)	(2,311)
ULRs for Fire class for all loss years	+20	5,076	2,680	(1,340)	(1,018)
Discount rates	-1	877	585	(292)	(222)

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

** ULR denotes ultimate loss ratio.

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

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table

The following tables show the estimate of cumulative claims incurred, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is the greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Shareholders' fund gross claims liabilities for 31 December 2018

<u>Gross claims incurred</u>	<u>2011</u> RM'000	<u>2012</u> RM'000	<u>2013</u> RM'000	<u>2014</u> RM'000	<u>2015</u> RM'000	<u>2016</u> RM'000	<u>2017</u> RM'000	<u>2018</u> RM'000	<u>Total</u> RM'000
<u>Accident year</u>									
At end of accident year	-	-	-	-	-	-	-	727	
One year later	-	-	-	-	-	-	529		
Two years later	-	-	-	-	-	16			
Three years later	-	-	-	-	-				
Four years later	-	-	-	-					
Five years later	-	-	58						
Six years later	-	-							
Seven years later	12								
Current estimate of cumulative claims incurred	12	-	58	-	-	16	529	727	1,342

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Shareholders' fund gross claims liabilities for 31 December 2018

<u>Gross claims paid</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	-	-	-	-	-	-	-	132	
One year later	-	-	-	-	-	-	137		
Two years later	-	-	-	-	-	17			
Three years later	-	-	-	-	-				
Four years later	-	-	-	-					
Five years later	-	-	238						
Six years later	-	-							
Seven years later	50								
Cumulative payments to-date	50	-	238	-	-	17	137	132	574
Gross Takaful claims liabilities	62	-	296	-	-	33	666	859	1,916

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Shareholders' fund net claims liabilities for 31 December 2018

<u>Net claims incurred</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	-	-	-	-	-	-	-	414	
One year later	-	-	-	-	-	-	356		
Two years later	-	-	-	-	-	17			
Three years later	-	-	-	-	-				
Four years later	-	-	-	-					
Five years later	-	-	57						
Six years later	-	-							
Seven years later	1								
Current estimate of cumulative claims incurred	1	-	57	-	-	17	356	414	845

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Shareholders' fund net claims liabilities for 31 December 2018

<u>Net claims paid</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	-	-	-	-	-	-	-	132	
One year later	-	-	-	-	-	-	137		
Two years later	-	-	-	-	-	17			
Three years later	-	-	-	-	-				
Four years later	-	-	-	-					
Five years later	-	-	238						
Six years later	-	-							
Seven years later	2								
Cumulative payments to-date	2	-	238	-	-	17	137	132	526
Takaful net claims liabilities	3	-	295	-	-	34	493	546	1,371

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations (continued)

General Takaful gross claims liabilities for 31 December 2018

<u>Gross claims incurred</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	9,012	11,692	17,009	21,254	14,871	14,978	10,290	764	
One year later	8,521	9,532	19,326	16,487	13,925	10,129	4,512		
Two years later	7,618	7,185	12,652	12,483	9,936	7,550			
Three years later	5,560	2,949	9,608	9,081	6,949				
Four years later	4,023	3,176	9,300	8,856					
Five years later	3,874	3,158	9,175						
Six years later	3,822	3,123							
Seven years later	3,822								
Current estimate of cumulative claims incurred	3,822	3,123	9,175	8,856	6,949	7,550	4,512	764	44,751

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)Claims development table (continued)Discontinued operations (continued)General Takaful gross claims liabilities for 31 December 2018 (continued)

<u>Gross claims paid</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)									
At end of accident year	(1,939)	(1,333)	(2,934)	(1,933)	(3,208)	(3,817)	(2,429)	(764)	
One year later	(3,366)	(2,549)	(8,157)	(8,150)	(6,514)	(6,164)	(4,512)		
Two years later	(3,699)	(2,881)	(8,783)	(8,502)	(6,811)	(7,550)			
Three years later	(3,708)	(2,887)	(8,942)	(8,543)	(6,949)				
Four years later	(3,808)	(3,123)	(8,975)	(8,856)					
Five years later	(3,808)	(3,123)	(9,175)						
Six years later	(3,822)	(3,123)							
Seven years later	(3,822)								
Cumulative payments to-date	(3,822)	(3,123)	(9,175)	(8,856)	(6,949)	(7,550)	(4,512)	(764)	(44,751)
General Takaful gross claims liabilities	-	-	-	-	-	-	-	-	-

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations (continued)

General Takaful gross claims liabilities for 31 December 2017

<u>Gross claims incurred</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	11,983	9,012	11,692	17,009	21,254	14,871	14,978	10,290	
One year later	5,967	8,521	9,532	19,326	16,487	13,925	10,129		
Two years later	4,031	7,618	7,185	12,652	12,483	9,936			
Three years later	3,921	5,560	2,949	9,608	9,081				
Four years later	4,113	4,023	3,176	9,300					
Five years later	3,629	3,874	3,158						
Six years later	3,574	3,822							
Seven years later	3,735								
Current estimate of cumulative claims incurred	3,735	3,822	3,158	9,300	9,081	9,936	10,129	10,290	59,451

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations (continued)

General Takaful gross claims liabilities for 31 December 2017 (continued)

<u>Gross claims paid</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)									
At end of accident year	(860)	(1,940)	(1,333)	(2,934)	(1,933)	(3,208)	(3,817)	(2,429)	
One year later	(3,220)	(3,366)	(2,549)	(8,157)	(8,150)	(6,514)	(6,164)		
Two years later	(3,330)	(3,699)	(2,881)	(8,783)	(8,502)	(6,811)			
Three years later	(3,351)	(3,708)	(2,887)	(8,942)	(8,543)				
Four years later	(3,353)	(3,808)	(3,123)	(8,975)					
Five years later	(3,574)	(3,808)	(3,123)						
Six years later	(3,574)	(3,822)							
Seven years later	(3,676)								
Cumulative payments to-date	(3,676)	(3,822)	(3,123)	(8,975)	(8,543)	(6,811)	(6,164)	(2,429)	(43,543)
General Takaful gross claims liabilities	59	-	35	325	538	3,125	3,965	7,861	15,908

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations (continued)

General Takaful net claims liabilities for 31 December 2018

<u>Net claims incurred</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	4,272	4,852	9,219	9,312	10,555	10,411	6,943	723	
One year later	3,477	4,783	7,449	8,667	9,793	6,148	3,192		
Two years later	3,501	3,618	6,859	5,822	6,289	4,495			
Three years later	2,476	1,735	3,799	2,866	4,074				
Four years later	1,808	1,788	3,726	2,781					
Five years later	1,750	1,753	3,535						
Six years later	1,744	1,746							
Seven years later	1,744								
Current estimate of cumulative claims incurred	1,744	1,746	3,535	2,781	4,074	4,495	3,192	723	22,290

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations (continued)

General Takaful net claims liabilities for 31 December 2018 (continued)

<u>Net claims paid</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)									
At end of accident year	(891)	(757)	(1,957)	(1,114)	(2,023)	(2,508)	(1,770)	(723)	
One year later	(1,474)	(1,626)	(2,892)	(2,658)	(3,883)	(3,741)	(3,192)		
Two years later	(1,720)	(1,694)	(3,292)	(2,567)	(4,004)	(4,495)			
Three years later	(1,720)	(1,699)	(3,402)	(2,588)	(4,074)				
Four years later	(1,741)	(1,746)	(3,435)	(2,781)					
Five years later	(1,741)	(1,746)	(3,535)						
Six years later	(1,744)	(1,746)							
Seven years later	(1,744)								
Cumulative payments to-date	(1,744)	(1,746)	(3,535)	(2,781)	(4,074)	(4,495)	(3,192)	(723)	(22,290)
General Takaful net claims liabilities	-	-	-	-	-	-	-	-	-

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations (continued)

General Takaful net claims liabilities for 31 December 2017

<u>Net claims incurred</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	3,302	4,272	4,852	9,219	9,312	10,555	10,411	6,943	
One year later	3,063	3,477	4,783	7,449	8,667	9,793	6,148		
Two years later	2,198	3,501	3,618	6,859	5,822	6,289			
Three years later	2,072	2,476	1,735	3,799	2,866				
Four years later	2,069	1,808	1,788	3,726					
Five years later	1,995	1,750	1,753						
Six years later	1,985	1,744							
Seven years later	2,020								
Current estimate of cumulative claims incurred	2,020	1,744	1,753	3,726	2,866	6,289	6,148	6,943	31,489

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)Claims development table (continued)Discontinued operations (continued)General Takaful net claims liabilities for 31 December 2017 (continued)

<u>Net claims paid</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)									
At end of accident year	(509)	(891)	(757)	(1,957)	(1,114)	(2,023)	(2,508)	(1,770)	
One year later	(1,741)	(1,474)	(1,626)	(2,892)	(2,658)	(3,883)	(3,741)		
Two years later	(1,762)	(1,720)	(1,694)	(3,292)	(2,567)	(4,004)			
Three years later	(1,765)	(1,720)	(1,699)	(3,402)	(2,588)				
Four years later	(1,765)	(1,741)	(1,746)	(3,435)					
Five years later	(1,985)	(1,741)	(1,746)						
Six years later	(1,985)	(1,744)							
Seven years later	(2,017)								
Cumulative payments to-date	(2,017)	(1,744)	(1,746)	(3,435)	(2,588)	(4,004)	(3,741)	(1,770)	(21,045)
General Takaful net claims liabilities	3	-	7	291	278	2,285	2,407	5,173	10,444

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30 FINANCIAL RISKS

Credit risk

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

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

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

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

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

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

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure

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

	Continuing operations				Discontinued operations
	Shareholders' fund	Family Takaful fund	Investment-linked fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2018</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	34,698	66,869	-	101,567	-
<u>FVTPL - designated upon initial recognition</u>					
Quoted equity securities	-	59,076	-	59,076	-
Unit trust funds	-	1,619	43,231	44,850	-
<u>AFS financial assets</u>					
Government Investment Issues	169,780	152,525	-	322,305	-
Cagamas Sukuk	-	10,203	-	10,203	-
Unquoted Sukuk	156,190	675,582	-	831,772	-
Investments in investment-linked funds	8,552	-	-	-	-
Takaful receivables	-	34,182	-	34,182	-
Retakaful assets	545	92,417	-	92,962	-
Other receivables	38,781	3,920	170	4,812	-
Cash and bank balances	8,432	18,565	53	27,050	-
	<u>416,978</u>	<u>1,114,958</u>	<u>43,454</u>	<u>1,528,779</u>	<u>-</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure (continued)

	Continuing operations				Discontinued operations
	Shareholders' fund	Family Takaful fund	Investment-linked fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2017</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	33,061	83,378	-	116,439	10,391
<u>FVTPL - designated upon initial recognition</u>					
Quoted equity securities	-	71,579	-	71,579	-
Unit trust funds	11,741	1,778	26,100	39,619	-
<u>AFS financial assets</u>					
Government Investment Issues	149,098	129,759	-	278,857	12,239
Cagamas Sukuk	-	10,094	-	10,094	-
Unquoted Sukuk	137,174	633,890	-	771,064	16,665
Investments in investment-linked funds	8,820	-	-	-	-
Takaful receivables	-	30,476	-	30,476	3,073
Retakaful assets	-	87,260	-	87,260	7,088
Other receivables	73,851	1,084	110	3,073	5
Cash and bank balances	7,040	11,761	163	18,964	2,524
	<u>420,785</u>	<u>1,061,059</u>	<u>26,373</u>	<u>1,427,425</u>	<u>51,985</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating

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

<u>Shareholders' fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2018</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	169,780	-	-	-	169,780
Unquoted Sukuk	20,375	10,121	-	-	125,694	-	-	-	156,190
Investment-linked funds	-	-	-	-	-	8,552	-	-	8,552
<u>Financing and receivables</u>									
Fixed and call deposits	3,070	30,448	-	-	1,180	-	-	-	34,698
Takaful receivables	-	-	-	-	-	-	-	689	689
Retakaful assets	-	-	-	-	545	-	-	-	545
Other receivables	-	-	-	-	38,781	-	-	-	38,781
Cash and bank balances	8,426	-	-	-	6	-	-	-	8,432
Allowance for impairment losses	-	-	-	-	-	-	-	(689)	(689)
	<u>31,871</u>	<u>40,569</u>	<u>-</u>	<u>-</u>	<u>335,986</u>	<u>8,552</u>	<u>-</u>	<u>-</u>	<u>416,978</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Shareholders' fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2017</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	149,098	-	-	-	149,098
Unquoted Sukuk	20,366	10,156	-	-	106,652	-	-	-	137,174
Investment-linked funds	-	-	-	-	-	8,820	-	-	8,820
<u>FVTPL financial assets</u>									
Unit trust funds	-	-	-	-	-	11,741	-	-	11,741
<u>Financing and receivables</u>									
Fixed and call deposits	-	33,061	-	-	-	-	-	-	33,061
Other receivables	-	-	-	-	73,851	-	-	-	73,851
Cash and bank balances	7,034	-	-	-	6	-	-	-	7,040
	<u>27,400</u>	<u>43,217</u>	<u>-</u>	<u>-</u>	<u>329,607</u>	<u>20,561</u>	<u>-</u>	<u>-</u>	<u>420,785</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

Discontinued operations

<u>General Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2017</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	12,239	-	-	-	12,239
Unquoted Sukuk	-	6,659	-	-	10,006	-	-	-	16,665
<u>Financing and receivables</u>									
Fixed and call deposits	10,391	-	-	-	-	-	-	-	10,391
Takaful receivables	-	-	-	-	2,945	-	128	744	3,817
Retakaful assets	-	-	-	-	7,088	-	-	-	7,088
Other receivables	-	-	-	-	5	-	-	-	5
Cash and bank balances	2,000	343	-	-	181	-	-	-	2,524
Allowance for impairment losses	-	-	-	-	-	-	-	(744)	(744)
	<u>12,391</u>	<u>7,002</u>	<u>-</u>	<u>-</u>	<u>32,464</u>	<u>-</u>	<u>128</u>	<u>-</u>	<u>51,985</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2018</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	152,525	-	-	-	-	152,525
Cagamas Sukuk	10,203	-	-	-	-	-	-	-	-	10,203
Unquoted Sukuk	160,280	223,472	-	-	291,830	-	-	-	-	675,582
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	59,076	-	-	-	59,076
Unit trust funds	-	-	-	-	-	1,619	43,231	-	-	44,850
<u>Financing and receivables</u>										
Fixed and call deposits	34,188	32,681	-	-	-	-	-	-	-	66,869
Takaful receivables	-	-	-	-	34,182	-	-	-	-	34,182
Retakaful assets	-	65,311	11,835	-	15,271	-	-	-	-	92,417
Other receivables	-	-	-	-	3,920	-	170	-	-	4,090
Cash and bank balances	16,894	1,084	272	-	315	-	53	-	-	18,618
Allowance for impairment losses	-	-	-	-	-	-	-	-	-	-
	<u>221,565</u>	<u>322,548</u>	<u>12,107</u>	<u>-</u>	<u>498,043</u>	<u>60,695</u>	<u>43,454</u>	<u>-</u>	<u>-</u>	<u>1,158,412</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2017</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	129,759	-	-	-	-	129,759
Cagamas Sukuk	10,094	-	-	-	-	-	-	-	-	10,094
Unquoted Sukuk	154,230	204,612	-	-	275,048	-	-	-	-	633,890
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	71,579	-	-	-	71,579
Unit trust funds	-	-	-	-	-	1,778	26,100	-	-	27,878
<u>Financing and receivables</u>										
Fixed and call deposits	27,986	54,256	-	-	1,136	-	-	-	-	83,378
Takaful receivables	-	-	-	-	30,476	-	-	-	8	30,484
Retakaful assets	-	65,016	2,288	-	19,956	-	-	-	-	87,260
Other receivables	-	-	-	-	1,084	-	110	-	-	1,194
Cash and bank balances	10,954	742	1	-	64	-	163	-	-	11,924
Allowance for impairment losses	-	-	-	-	-	-	-	-	(8)	(8)
	<u>203,264</u>	<u>324,626</u>	<u>2,289</u>	<u>-</u>	<u>457,523</u>	<u>73,357</u>	<u>26,373</u>	<u>-</u>	<u>-</u>	<u>1,087,432</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Company</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2018</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	322,305	-	-	-	-	322,305
Cagamas Sukuk	10,203	-	-	-	-	-	-	-	-	10,203
Unquoted Sukuk	180,655	233,593	-	-	417,524	-	-	-	-	831,772
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	59,076	-	-	-	59,076
Unit trust funds	-	-	-	-	-	1,619	43,231	-	-	44,850
<u>Financing and receivables</u>										
Fixed and call deposits	37,258	63,129	-	-	1,180	-	-	-	-	101,567
Takaful receivables	-	-	-	-	34,182	-	-	-	689	34,871
Retakaful assets	-	65,311	11,835	-	15,816	-	-	-	-	92,962
Other receivables	-	-	-	-	4,642	-	170	-	-	4,812
Cash and bank balances	25,320	1,084	272	-	321	-	53	-	-	27,050
Allowance for impairment losses	-	-	-	-	-	-	-	-	(689)	(689)
	<u>253,436</u>	<u>363,117</u>	<u>12,107</u>	<u>-</u>	<u>795,970</u>	<u>60,695</u>	<u>43,454</u>	<u>-</u>	<u>-</u>	<u>1,528,779</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>Company</u>	Neither past due nor impaired					Not subject to <u>credit risk</u> RM'000	Investment- <u>linked fund</u> RM'000	Past due but not <u>impaired</u> RM'000	Past due and <u>impaired</u> RM'000	<u>Total</u> RM'000
	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000					
<u>2017</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	278,857	-	-	-	-	278,857
Cagamas Sukuk	10,094	-	-	-	-	-	-	-	-	10,094
Unquoted Sukuk	174,596	214,768	-	-	381,700	-	-	-	-	771,064
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	71,579	-	-	-	71,579
Unit trust funds	-	-	-	-	-	13,519	26,100	-	-	39,619
<u>Financing and receivables</u>										
Fixed and call deposits	27,986	87,317	-	-	1,136	-	-	-	-	116,439
Takaful receivables	-	-	-	-	30,476	-	-	-	8	30,484
Retakaful assets	-	65,016	2,288	-	19,956	-	-	-	-	87,260
Other receivables	-	-	-	-	2,963	-	110	-	-	3,073
Cash and bank balances	17,988	742	1	-	70	-	163	-	-	18,964
Allowance for impairment losses	-	-	-	-	-	-	-	-	(8)	(8)
	<u>230,664</u>	<u>367,843</u>	<u>2,289</u>	<u>-</u>	<u>715,158</u>	<u>85,098</u>	<u>26,373</u>	<u>-</u>	<u>-</u>	<u>1,427,425</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Aged analysis of financial assets past due but not impaired

Discontinued operations

<u>General Takaful fund/Company</u>	<u>< 90 days RM'000</u>	<u>> 90 days RM'000</u>	<u>Total RM'000</u>
<u>2018</u>			
Takaful receivables	-	-	-

Descontinued operations

General Takaful fund/Company

2017

Takaful receivables	116	12	128
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Impaired Takaful receivables

At 31 December 2018, impaired Takaful receivables amounted to RM0.7 million (2017: RM8,178). Impairment of Takaful receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

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

	<u>2018</u>			
	<u>Continuing operations</u>		<u>Discontinued operations</u>	
	<u>Shareholders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>General Takaful fund</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
As at 1 January	-	8	8	744
Writeback during the financial year (note 20)	-	(8)	(8)	(36)
Write off against Takaful receivables	-	-	-	(19)
Transfer from General Takaful fund to Shareholders' fund	689	-	689	(689)
As at 31 December (note 7)	689	-	689	-

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Impaired Takaful receivables (continued)

A reconciliation of the allowance for impairment losses on Takaful receivables is as follows:
(continued)

	2018			2017
	Continuing operations		Discontinued operations	
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
As at 1 January	-	6	6	659
Writeback during the financial year (note 20)	-	-	-	(35)
Write off against Takaful receivables	-	-	-	10
Allowance for impairment loss during the financial year (note 23)	-	2	2	110
As at 31 December (note 7)	-	8	8	744

Impaired other receivables

At 31 December 2018, there is no impairment on other receivables (2017: RM nil). Impairment of other receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

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

	2018		2017
	Discontinued operations	Continuing operations	General Takaful fund/Company
	General Takaful fund	Company	RM'000
	RM'000	RM'000	RM'000
As at 1 January	-	-	-
Write off against other receivables	-	-	(5)
Allowance for impairment loss during the financial year (note 23)	-	-	5
As at 31 December	-	-	-

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk

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

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

Maturity profiles

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

Available-for-sale fair value adjustment, contribution liability and retakaful's share of contribution liability have been excluded from the analysis as they are not contractual obligations.

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

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>Shareholders' fund</u>								
<u>2018</u>								
<u>AFS financial assets</u>								
Government Investment Issues	169,780	7,190	17,293	78,461	108,868	11,714	-	223,526
Unquoted Sukuk	156,190	16,682	31,616	25,347	128,851	-	-	202,496
Investment-linked funds	8,552	-	-	-	-	-	8,552	8,552
<u>Financing and receivables</u>								
Fixed and call deposits	34,698	34,783	-	-	-	-	-	34,783
Other receivables	38,781	38,781	-	-	-	-	-	38,781
Retakaful assets	545	464	79	2	-	-	-	545
Cash and bank balances	8,432	-	-	-	-	-	8,432	8,432
Total financial assets	416,978	97,900	48,988	103,810	237,719	11,714	16,984	517,115
<u>Takaful contract liabilities</u>								
Takaful payables	1,916	1,632	277	7	-	-	-	1,916
Other payables	100	100	-	-	-	-	-	100
Expense liabilities	41,406	41,406	-	-	-	-	-	41,406
Expense liabilities	121	33,280	(4,712)	(3,270)	(26,092)	(30,843)	-	(31,637)
Total financial liabilities	43,543	76,418	(4,435)	(3,263)	(26,092)	(30,843)	-	11,785

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>Shareholders' fund</u>								
<u>2017</u>								
<u>AFS financial assets</u>								
Government Investment Issues	149,098	6,277	12,554	82,534	74,851	20,440	-	196,657
Unquoted Sukuk	137,174	6,008	41,026	24,186	107,348	-	-	178,568
Investment-linked funds	8,820	-	-	-	-	-	8,820	8,820
<u>FVTPL financial assets</u>								
Unit trust funds	11,741	-	-	-	-	-	11,741	11,741
<u>Financing and receivables</u>								
Fixed and call deposits	33,061	33,061	-	-	-	-	-	33,061
Other receivables	73,851	73,851	-	-	-	-	-	73,851
Cash and bank balances	7,040	-	-	-	-	-	7,040	7,040
Total financial assets	<u>420,785</u>	<u>119,197</u>	<u>53,580</u>	<u>106,720</u>	<u>182,199</u>	<u>20,440</u>	<u>27,601</u>	<u>509,738</u>
Other payables	56,718	56,718	-	-	-	-	-	56,718
Expense liabilities	23,148	22,215	6,216	3,634	(6,127)	(18,455)	-	7,483
Total financial liabilities	<u>79,866</u>	<u>78,933</u>	<u>6,216</u>	<u>3,634</u>	<u>(6,127)</u>	<u>(18,455)</u>	<u>-</u>	<u>64,201</u>

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)Discontinued operations

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
<u>General Takaful fund</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2017</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	16,665	1,707	6,776	5,543	5,751	-	-	19,777
Government Investment Issues	12,239	10,442	168	2,129	-	-	-	12,739
<u>Financing and receivables</u>								
Fixed and call deposits	10,391	10,404	-	-	-	-	-	10,404
Takaful receivables	3,073	3,073	-	-	-	-	-	3,073
Other receivables	5	5	-	-	-	-	-	5
Retakaful assets	5,464	3,623	1,684	149	8	-	-	5,464
Cash and bank balances	2,524	-	-	-	-	-	2,524	2,524
Total financial assets	50,361	29,254	8,628	7,821	5,759	-	2,524	53,986
<u>Takaful contract liabilities</u>								
Takaful contract liabilities	28,557	23,196	4,904	435	22	-	-	28,557
Takaful payables	2,170	2,170	-	-	-	-	-	2,170
Other payables	11,315	11,315	-	-	-	-	-	11,315
Total financial liabilities	42,042	36,681	4,904	435	22	-	-	42,042

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2018</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	675,582	59,736	131,591	107,722	509,318	193,485	-	-	1,001,852
Cagamas Sukuk	10,203	455	910	910	10,833	-	-	-	13,108
Government Investment Issues	152,525	7,056	26,186	14,964	88,267	124,699	-	-	261,172
<u>FVTPL financial assets</u>									
Quoted equity securities	59,076	-	-	-	-	-	59,076	-	59,076
Unit trust funds	44,850	-	-	-	-	-	1,619	43,231	44,850
<u>Financing and receivables</u>									
Fixed and call deposits	66,869	66,917	-	-	-	-	-	-	66,917
Takaful receivables	34,182	34,182	-	-	-	-	-	-	34,182
Retakaful assets	92,417	26,435	14,380	10,356	26,767	14,479	-	-	92,417
Other receivables	4,090	3,920	-	-	-	-	-	170	4,090
Cash and bank balances	18,618	-	-	-	-	-	18,565	53	18,618
Total financial assets	<u>1,158,412</u>	<u>198,701</u>	<u>173,067</u>	<u>133,952</u>	<u>635,185</u>	<u>332,663</u>	<u>79,260</u>	<u>43,454</u>	<u>1,596,282</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment- linked fund RM'000	Total RM'000
<u>Family Takaful fund</u>									
<u>2018</u> (continued)									
Takaful contract liabilities	1,060,775	169,472	183,265	131,981	341,123	184,518	24,609	43,643	1,078,611
Takaful payables	41,578	41,578	-	-	-	-	-	-	41,578
Other payables	46,325	46,301	-	-	-	-	-	24	46,325
Total financial liabilities	<u>1,148,678</u>	<u>257,351</u>	<u>183,265</u>	<u>131,981</u>	<u>341,123</u>	<u>184,518</u>	<u>24,609</u>	<u>43,667</u>	<u>1,166,514</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2017</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	633,890	52,700	107,818	112,395	478,574	214,837	-	-	966,324
Cagamas Sukuk	10,094	455	910	910	11,288	-	-	-	13,563
Government Investment Issues	129,759	5,807	16,598	18,192	78,484	87,732	-	-	206,813
<u>FVTPL financial assets</u>									
Quoted equity securities	71,579	-	-	-	-	-	71,579	-	71,579
Unit trust funds	27,878	-	-	-	-	-	1,778	26,100	27,878
<u>Financing and receivables</u>									
Fixed and call deposits	83,378	83,488	-	-	-	-	-	-	83,488
Takaful receivables	30,476	30,476	-	-	-	-	-	-	30,476
Retakaful assets	87,260	24,616	14,663	10,526	25,190	12,265	-	-	87,260
Other receivables	1,194	1,084	-	-	-	-	-	110	1,194
Cash and bank balances	11,924	-	-	-	-	-	11,761	163	11,924
Total financial assets	<u>1,087,432</u>	<u>198,626</u>	<u>139,989</u>	<u>142,023</u>	<u>593,536</u>	<u>314,834</u>	<u>85,118</u>	<u>26,373</u>	<u>1,500,499</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment- linked fund RM'000	Total RM'000
<u>Family Takaful fund</u>									
<u>2017</u> (continued)									
Takaful contract liabilities	998,951	166,306	187,743	134,776	322,528	157,035	33,087	26,225	1,027,700
Takaful payables	21,434	21,434	-	-	-	-	-	-	21,434
Other payables	67,360	67,357	-	-	-	-	-	3	67,360
Total financial liabilities	<u>1,087,745</u>	<u>255,097</u>	<u>187,743</u>	<u>134,776</u>	<u>322,528</u>	<u>157,035</u>	<u>33,087</u>	<u>26,228</u>	<u>1,116,494</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Total</u> RM'000
<u>2018</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	831,772	76,418	163,207	133,069	638,169	193,485	-	-	1,204,348
Cagamas Sukuk	10,203	455	910	910	10,833	-	-	-	13,108
Government Investment Issues	322,305	14,246	43,479	93,425	197,135	136,413	-	-	484,698
<u>FVTPL financial assets</u>									
Quoted equity securities	59,076	-	-	-	-	-	59,076	-	59,076
Unit trust funds	44,850	-	-	-	-	-	1,619	43,231	44,850
<u>Financing and receivables</u>									
Fixed and call deposits	101,567	101,700	-	-	-	-	-	-	101,700
Takaful receivables	34,182	34,182	-	-	-	-	-	-	34,182
Retakaful assets	92,962	26,899	14,459	10,358	26,767	14,479	-	-	92,962
Other receivables	4,812	4,642	-	-	-	-	-	170	4,812
Cash and bank balances	27,050	-	-	-	-	-	26,997	53	27,050
Total financial assets	<u>1,528,779</u>	<u>258,542</u>	<u>222,055</u>	<u>237,762</u>	<u>872,904</u>	<u>344,377</u>	<u>87,692</u>	<u>43,454</u>	<u>2,066,786</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value RM'000</u>	<u>Up to a year RM'000</u>	<u>1 - 3 years RM'000</u>	<u>3 - 5 years RM'000</u>	<u>5 - 15 years RM'000</u>	<u>Over 15 years RM'000</u>	<u>No maturity date RM'000</u>	<u>Investment- linked fund RM'000</u>	<u>Total RM'000</u>
<u>2018</u> (continued)									
Takaful contract liabilities	1,054,139	171,104	183,542	131,988	341,123	184,518	24,609	35,091	1,071,975
Takaful payables	41,678	41,678	-	-	-	-	-	-	41,678
Other payables	49,672	49,648	-	-	-	-	-	24	49,672
Expense liabilities	121	33,280	(4,712)	(3,270)	(26,092)	(30,843)	-	-	(31,637)
Total financial liabilities	<u>1,145,610</u>	<u>295,710</u>	<u>178,830</u>	<u>128,718</u>	<u>315,031</u>	<u>153,675</u>	<u>24,609</u>	<u>35,115</u>	<u>1,131,688</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked fund</u> RM'000	<u>Total</u> RM'000
<u>2017</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	771,064	58,708	148,844	136,581	585,922	214,837	-	-	1,144,892
Cagamas Sukuk	10,094	455	910	910	11,288	-	-	-	13,563
Government Investment Issues	278,857	12,084	29,152	100,726	153,335	108,172	-	-	403,470
<u>FVTPL financial assets</u>									
Quoted equity securities	71,579	-	-	-	-	-	71,579	-	71,579
Unit trust funds	39,619	-	-	-	-	-	13,519	26,100	39,619
<u>Financing and receivables</u>									
Fixed and call deposits	116,439	116,549	-	-	-	-	-	-	116,549
Takaful receivables	30,476	30,476	-	-	-	-	-	-	30,476
Retakaful assets	87,260	24,616	14,663	10,526	25,190	12,265	-	-	87,260
Other receivables	3,073	2,963	-	-	-	-	-	110	3,073
Cash and bank balances	18,964	-	-	-	-	-	18,801	163	18,964
Total financial assets	<u>1,427,425</u>	<u>245,851</u>	<u>193,569</u>	<u>248,743</u>	<u>775,735</u>	<u>335,274</u>	<u>103,899</u>	<u>26,373</u>	<u>1,929,445</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked fund</u> RM'000	<u>Total</u> RM'000
<u>2017</u> (continued)									
Takaful contract liabilities	990,131	166,306	187,743	134,776	322,528	157,035	33,087	17,405	1,018,880
Takaful payables	21,434	21,434	-	-	-	-	-	-	21,434
Other payables	63,012	63,009	-	-	-	-	-	3	63,012
Expense liabilities	23,148	22,215	6,216	3,634	(6,127)	(18,455)	-	-	7,483
Total financial liabilities	<u>1,097,725</u>	<u>272,964</u>	<u>193,959</u>	<u>138,410</u>	<u>316,401</u>	<u>138,580</u>	<u>33,087</u>	<u>17,408</u>	<u>1,110,809</u>

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30 FINANCIAL RISKS (CONTINUED)

Market risk

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

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

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

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

(i) Profit rate risk

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

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

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

	<u>Company</u>	
	Impact on profit <u>after taxation</u> RM'000	Impact on <u>equity*</u> RM'000
<u>2018</u>		
<u>Change in profit rate</u>		
+ 100 basis points	-	(13,891)
- 100 basis points	-	15,223
	<u> </u>	<u> </u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(i) Profit rate risk (continued)

	<u>Company</u>	
<u>2017</u>	<u>Impact on profit after taxation</u>	<u>Impact on equity*</u>
	RM'000	RM'000
<u>Change in profit rate</u>		
+ 100 basis points	-	(12,558)
- 100 basis points	-	13,703
	<u> </u>	<u> </u>

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

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

The impact to the Company's equity arose from AFS financial assets in the Shareholders' fund. The impact arising from changes in profit rate risk to AFS and FVTPL fixed income securities of the General Takaful fund, Family Takaful fund and Investment-linked funds is retained in the Takaful contract liabilities and as such, does not impact the profit before taxation and equity of the Company.

(ii) Price risk

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

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

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

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(ii) Price risk (continued)

	Impact on profit after taxation RM'000	Company Impact on equity* RM'000
<u>2018</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	-	(2,600)
	=====	=====
<u>2017</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	(3,569)	(6,251)
	=====	=====

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

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

There is no impact to the Company's profit before taxation and equity from changes in equity price risk of the Family Takaful fund and Investment-linked funds as these are retained in the Takaful contract liabilities.

Operational risk

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

The Company has in place an Operational Risk Management ("ORM") Framework. The purpose of this Framework is to:

- Set-out the framework for ensuring effective management of the Company's Operational Risks, including processes for identifying, measuring, managing, monitoring and reporting these risks across the Company; and
- Establish standard tools and processes for managing Operational Risks within the Company.

From the governance perspective, the RMC and ERMC monitor and oversee the implementation of the ORM Framework to ensure that the operational risk management processes are in place and functioning effectively.

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31 OPERATING LEASE COMMITMENTS

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

	<u>Shareholders' fund/ Company</u>	
	<u>2018</u> RM'000	<u>2017</u> RM'000
Not later than 1 year	71	70
Later than 1 year and not later than 5 years	14	85
	<u>85</u>	<u>155</u>

32 COMMITMENTS AND CONTINGENCIES

	<u>Shareholders' fund/ Company</u>	
	<u>2018</u> RM'000	<u>2017</u> RM'000
Approved and contracted for:		
Property and equipment	-	-
Approved but not contracted for:		
Property and equipment	-	119
	<u>-</u>	<u>119</u>

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33 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2018, as prescribed under the Risk Based Capital Framework is provided below:

	<u>2018</u> RM'000	<u>2017</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	200,000	200,000
Retained earnings	206,981	175,291
Eligible contract liabilities	11,444	23,961
	<u>418,425</u>	<u>399,252</u>
<u>Tier 2 Capital</u>		
Eligible reserves	4,854	2,165
Amounts deducted from capital	(34,403)	(41,083)
Total capital available	<u><u>388,876</u></u>	<u><u>360,334</u></u>

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(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34 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 flows characteristics and credit exposure of the financial assets. The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI") or other than SPPI:

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<u>Fair value as at 31 December 2018</u>			
<u>Shareholders' fund</u>			
Financial assets	325,970	8,552	334,522
Unit trust funds	-	-	-
Investments in investment-linked funds	-	8,552	8,552
Government Investment Issues	169,780	-	169,780
Unquoted Sukuk	156,190	-	156,190
Financing and receivables	34,698	-	34,698
Other receivables	38,781	-	38,781
Cash and bank balances	8,432	-	8,432
	<u>407,881</u>	<u>8,552</u>	<u>416,433</u>
<u>Family Takaful fund</u>			
Financial assets	838,310	103,926	942,236
Quoted equity securities	-	59,076	59,076
Unit trust funds	-	44,850	44,850
Government Investment Issues	152,525	-	152,525
Cagamas Sukuk	10,203	-	10,203
Unquoted Sukuk	675,582	-	675,582
Financing and receivables	66,869	-	66,869
Other receivables	4,090	-	4,090
Cash and bank balances	18,618	-	18,618
	<u>927,887</u>	<u>103,926</u>	<u>1,031,813</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<u>Fair value as at 31 December 2018</u>			
<u>Company</u>			
Financial assets	1,164,280	103,926	1,268,206
Quoted equity securities	-	59,076	59,076
Unit trust funds	-	44,850	44,850
Government Investment Issues	322,305	-	322,305
Cagamas Sukuk	10,203	-	10,203
Unquoted Sukuk	831,772	-	831,772
Financing and receivables	101,567	-	101,567
Other receivables	4,812	-	4,812
Cash and bank balances	27,050	-	27,050
	<u>1,297,709</u>	<u>103,926</u>	<u>1,401,635</u>

¹ Takaful receivables and retakaful assets have been excluded from the above assessment as these will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed above and assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are non-financial assets.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
<u>Changes in fair value during the year</u>			
<u>Shareholders' fund</u>			
Financial assets			
Unit trust funds	-	(23)	(23)
Investments in investment-linked funds	-	(269)	(269)
Government Investment Issues	501	-	501
Unquoted Sukuk	864	-	864
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>1,365</u>	<u>(292)</u>	<u>1,073</u>
<u>Family Takaful fund</u>			
Financial assets			
Quoted equity securities	-	(10,768)	(10,768)
Unit trust funds	-	(4,538)	(4,538)
Government Investment Issues	1,851	-	1,851
Cagamas Sukuk	100	-	100
Unquoted Sukuk	6,863	-	6,863
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>8,814</u>	<u>(15,306)</u>	<u>(6,492)</u>
<u>Company</u>			
Financial assets			
Quoted equity securities	-	(10,768)	(10,768)
Unit trust funds	-	(4,561)	(4,561)
Government Investment Issues	2,352	-	2,352
Cagamas Sukuk	100	-	100
Unquoted Sukuk	7,727	-	7,727
Financing and receivables	-	-	-
Other receivables	-	-	-
Cash and bank balances	-	-	-
	<u>10,179</u>	<u>(15,329)</u>	<u>(5,150)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34 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.

	AAA	AA	A	Non-rated	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Shareholders' fund</u>						
Government Investment						
Issues	-	-	-	169,780	-	169,780
Unquoted Sukuk	20,375	10,121	-	125,694	-	156,190
Financing and receivables	3,070	30,448	-	1,180	-	34,698
Other receivables	-	-	-	38,781	-	38,781
Cash and bank balances	8,426	-	-	6	-	8,432
	<u>31,871</u>	<u>40,569</u>	<u>-</u>	<u>335,441</u>	<u>-</u>	<u>407,881</u>

Family Takaful fund

Government Investment						
Issues	-	-	-	152,525	-	152,525
Cagamas Sukuk	10,203	-	-	-	-	10,203
Unquoted Sukuk	160,280	223,472	-	291,830	-	675,582
Financing and receivables	34,188	32,681	-	-	-	66,869
Other receivables	-	-	-	3,920	170	4,090
Cash and bank balances	16,894	1,084	272	315	53	18,618
	<u>221,565</u>	<u>257,237</u>	<u>272</u>	<u>448,590</u>	<u>223</u>	<u>927,887</u>

Company

Government Investment						
Issues	-	-	-	322,305	-	322,305
Cagamas Sukuk	10,203	-	-	-	-	10,203
Unquoted Sukuk	180,655	233,593	-	417,524	-	831,772
Financing and receivables	37,258	63,129	-	1,180	-	101,567
Other receivables	-	-	-	4,642	170	4,812
Cash and bank balances	25,320	1,084	272	321	53	27,050
	<u>253,436</u>	<u>297,806</u>	<u>272</u>	<u>745,972</u>	<u>223</u>	<u>1,297,709</u>

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