

Registration No.

199001005930 (197499-U)

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

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

0519A2/ii

Registration No.

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

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**SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**DIRECTORS' REPORT**

The Directors are pleased to present this report with the audited financial statements of the Group and the Company for the financial year ended 31 December 2021.

**PRINCIPAL ACTIVITIES**

The Group and the Company are engaged principally in underwriting life insurance and investment-linked business. There were no significant changes in the Group's and the Company's principal activities during the financial year.

**FINANCIAL RESULTS**

	<u>Group/Company</u> RM'000
Net profit for the financial year	78,760 <u><u>          </u></u>

**DIVIDENDS**

The Company has not paid or declared any dividends since the end of the previous financial year.

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**DIRECTORS' REPORT (CONTINUED)**

**RESERVES AND PROVISIONS**

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

**PROVISION FOR INSURANCE LIABILITIES**

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

**SHARE CAPITAL**

The Group and the Company did not issue any shares during the financial year.

**BAD AND DOUBTFUL DEBTS**

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

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

**CURRENT ASSETS**

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

As of 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 Group's and the Company's financial statements misleading.

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**DIRECTORS' REPORT (CONTINUED)**

**VALUATION METHODS**

As of the date of this report, the Directors are not aware of any circumstances that arose which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

**CONTINGENT AND OTHER LIABILITIES**

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

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

No contingent or other liability of the Group and the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the Group's and the Company's ability to meet its obligations as and when they fall due.

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

**CHANGE OF CIRCUMSTANCES**

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

**ITEMS OF AN UNUSUAL NATURE**

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

In the interval between the end of the financial year and the date of this report, no item, transaction, or event arose of a material and unusual nature which is likely, in the opinion of the Directors, to affect substantially the results of the Group's and the Company's operations for the financial year in which this report is made.

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

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

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	5/5
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	4*/5
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	5/5
Dato' Mohd Shukri Bin Hussin (Independent Non-Executive Director)	5/5
Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz (Non-Independent Non-Executive Director)	5/5
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	5/5
Encik Leo Michel Grepin (Executive Director) (Resigned on 31 December 2021)	4/5

\*Encik Pushpanathan A/L S.A Kanagarayar was on medical leave for the Board of Directors Meeting which was held on 11 August 2021.

In accordance to Article 96 of the Company's Articles of Association, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Encik Pushpanathan A/L S.A. Kanagarayar were to retire by rotation at the forthcoming Annual General Meeting and if eligible offer themselves for re-election.

However, pursuant to paragraph 11.9 of the Bank Negara Malaysia's Policy Document on Corporate Governance, that limits the tenure for independent directors to nine (9) years, the following directors will retain office until the respective dates stated below:

- (i) Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director) – 12 May 2022;
- (ii) Encik Jose Isidro Navato Camacho (Independent Non-Executive Director) – 22 May 2022; and
- (iii) Encik Pushpanathan A/L S.A. Kanagarayar - 26 July 2022.

Dato' Mohd Shukri Bin Hussin has indicated his intention to retire on completion of his term of office on 21 May 2022.

In compliance with Article 96 of the Company's Articles of Association, Encik Ooi Say Teng will retire and seek for re-election at the forthcoming Annual General Meeting.

**CORPORATE GOVERNANCE**

The Group and the Company have complied with all the prescriptive requirements and adopt management practices consistent with the principles prescribed under the Financial Services Act, 2013 (FSA) and Bank Negara Malaysia (BNM) Guidelines, in particular, BNM/RH/GL 018-5 on Fit and Proper Criteria and BNM/RH/PD 029-9 on Corporate Governance and BNM/RH/GL/003-2 on the Prudential Framework of Corporate Governance for Insurers.

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**SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Board of Directors (the Board)

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

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

Board

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

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 Group and 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 organisational structure.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Board of Directors (the Board) (continued)

Ethics and Integrity

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

Strategy

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

Risk Management, Capital Management and Internal Control

- (i) At least annually, 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 for the reliability of the Group's and the Company's financial information and 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 timely reporting of financial results to Shareholders and other stakeholders;
- (ii) Reviews and, when appropriate, approves policies on public disclosure, confidentiality of information, and securities trading; and
- (iii) Enables Shareholders to provide feedback to the independent Directors.

Others

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

Directors' Training

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

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

Audit Committee (AC)

The AC, comprising the Group's and the Company's Independent Non-Executive Directors, and the AC members' attendance during the financial year are as follows:

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

\*Encik Pushpanathan A/L S.A Kanagarayar was on medical leave for the Audit Committee Meeting which was held on 11 August 2021.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Audit Committee (AC) (continued)

The AC's duties and responsibilities 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 Group and 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 the External Auditor performs 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 the External Auditor devotes to the audit;
- (v) Reviews with the External Auditor any regulatory investigations that pertain to the External Auditor; and
- (vi) Investigates reasons for any request made by management to dismiss the External Auditor, or any resignation by the External Auditor. The results of the investigation will be disclosed to the Board with 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 such procedures;
- (ii) Reviews management's reports on the effectiveness of the Group's and the Company's disclosure on controls and procedures and their internal control over financial reporting;
- (iii) Reviews with the Head of Internal Audit and management:
  - (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor on their audit plan, and the adequacy of the resources available to the Head of Internal Audit; and
  - (b) The effectiveness of internal control procedures.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Audit Committee (AC) (continued)

Internal Control and Audit (continued)

- (iv) Ensures that management is taking necessary and timely corrective actions 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 were resolved, to identify any impact the disagreements may have on the audit process or findings;
- (vi) Reviews third-party opinions on the design and effectiveness of the Group's and the Company's internal control framework;
- (vii) Reviews quarterly Internal Audit reports with respect to, among others, the adequacy and effectiveness of controls on an enterprise-wide basis; and
- (viii) Submits AC's Annual Report to BNM which includes the summary of activities, AC's composition and meeting records as well as internal control assessment and key control issues.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Internal Audit function;
- (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, the impact of the financial and control-related aspects of material transactions the Group and the Company propose;
- (vi) Reviews and discusses with the External Auditor and Appointed Actuary such reports and regulatory returns of the Group and 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 thereon;
- (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 ongoing financial literacy of AC members; and
- (ix) Reviews, updates, and monitors any related party transactions and conflict of interest situations that may arise within the Group and the Company, including any transactions, procedures, or conduct that raise questions of management integrity.

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**CORPORATE GOVERNANCE (CONTINUED)**

Audit Committee (AC) (continued)

Governance (continued)

- (x) Review and oversight over all relevant issues raised by Internal Audit pertaining to Risk Governance and Compliance audits before presenting to the Board.

Others

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

Remuneration and Nomination Committee (RNC)

The RNC, comprising Independent Non-Executive Directors, and the RNC members' attendance during the financial year are as follows:

	<u>Attendance</u>
Dato' Mohd Shukri Bin Hussin – Chairman	2/2
Encik Jose Isidro Navato Camacho	2/2
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	2/2

The RNC's duties and responsibilities 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 also reviews the mix of skills of the Audit Committee's members through annual reviews;

- (ii) Recommends and assesses the fitness and propriety of nominees for directorship, the Directors to fill the Board Committees, as well as nominees for the position of the Chief Executive Officer and the Company Secretary. This includes assessing the Directors and the Chief Executive Officer, 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, and the performance of the Chief Executive Officer annually;

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Remuneration and Nomination Committee (RNC) (continued)

- (iv) Recommends to the Board the removal of a Director and Chief Executive Officer for ineffectiveness, or being errant or negligent in discharging responsibilities;
- (v) Ensures that all Directors undergo appropriate induction programmes and receive continuous training;
- (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 or 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 RNC's duties and responsibilities with regards to the remuneration role are as follows:

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

Risk Management Committee (RMC)

The RMC, comprising the Group's and the Company's Independent Non-Executive Directors, and the RMC members' attendance during the financial year are as follows:

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

The RMC's duties and responsibilities are as follows:

Risk Management

- (i) Reviews and recommends risk management strategies, policies, risk tolerance, and risk appetite for the 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;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (RMC) (continued)

Risk Management (continued)

- (iii) Ensures adequate infrastructure, resources, and systems are in place for effective risk management;
- (iv) Reviews periodic management reports on risk exposure, risk portfolio composition, and risk management activities;
- (v) Reviews and assesses matters in the Shareholders Agreement as recommended by the Executive Committee, for the Board's approval;
- (vi) Reviews 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 Group's and 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 the Board's approval. In addition, ensuring management's timely identification and continuous monitoring of suitable corrective action plans 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 in the Risk Management policies; and
- (x) Assists in the implementation of a sound remuneration structure and without prejudice to the tasks of the Remuneration and Nomination Committee, and examines whether incentives provided by the remuneration structure take into consideration risks, capital, liquidity, and the likelihood and timing of earnings.

Compliance

- (i) Reviews at least annually and approves changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- (ii) Reviews at least annually the adequacy of and compliance with the Group's and 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 enterprise-wide, regulatory reviews, and the Group's and the Company's compliance risks and programmes.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Risk Management Committee (RMC) (continued)

Governance

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

The Committee is authorised by the Board:

- (i) To approve the Charter of the ERM, the ALCO and the IC, including delegated responsibility to manage the risk profile of the Group and the Company;
- (ii) To request and receive any management information required to support its risk management oversight activities, as well as to invite any person to be in attendance or seek the advice of professionals in specific areas of expertise it considers necessary in carrying out its duties; and
- (iii) To provide overall oversight on IT related matters including ex-ante risk assessments on IT applications and to designate Senior Management (C-Suite level) to be responsible for the overall IT risk controls and security.

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 Ooi Say Teng  
Encik Leo Michel Grepin (Resigned on 31 December 2021)

The EC's duties and responsibilities are as follows:

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

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

**DIRECTORS' BENEFITS**

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

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

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The current year's insurance premium amounts to RM61,750.

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

The Company has kept the Register of Directors' Shareholdings under Section 59 of the Companies Act 2016. None of the Directors in office at the end of the financial year 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.

**DIRECTORS' REMUNERATION**

The details of Directors' remuneration are stated in Note 24 to the financial statements.



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**DIRECTORS' REPORT (CONTINUED)**

**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 no longer a financial holding company effective from 2 October 2019. All three companies are incorporated in Malaysia.

**AUDITORS' REMUNERATION**

The details of the auditors' remuneration are stated in Note 24 to the financial statements. There is no indemnity given or insurance effected for the Group's and the Company's auditor.

**AUDITORS**

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

Signed on behalf of the Board in accordance with the resolution of the Directors dated 7 March 2022.

DATUK DR. SYED MUHAMAD BIN  
SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

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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 Assurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements on pages 21 to 129 are drawn up to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and financial performance of the Group and of the Company for the financial year ended 31 December 2021, 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 of Directors in accordance with a resolution of the Directors dated 7 March 2022.

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 Assurance Berhad, do solemnly and sincerely declare that the financial statements on pages 21 to 129 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 above named Chew Chin Lim at Kuala Lumpur in the state of Wilayah Persekutuan in Malaysia on 7 March 2022.

Before me,

COMMISSIONER FOR OATHS

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Assurance Berhad (“the Company”) and its structured entity (“the Group”) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial 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 Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 129.

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 Group and 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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Registration No. 199001005930 (197499-U))

**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 the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 Group and 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 Group and 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 Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and 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 Group or 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 ASSURANCE BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Registration No. 199001005930 (197499-U))

**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 Group and 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 Group and 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 Group's and 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 Group's or 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 Group and 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 Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 197499 U) (Registration No. 199001005930 (197499-U))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

WONG HUI CHERN  
03252/05/2022 J  
Chartered Accountant

Kuala Lumpur  
7 March 2022

Registration No.

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

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>ASSETS</b>					
Property and equipment	3	54,577	54,023	54,577	54,023
Intangible assets	4	16,632	12,799	16,632	12,799
Right-of-use assets	5	9,641	9,238	9,641	9,238
Financial assets	6	2,919,391	2,650,081	2,952,275	2,659,011
Loans and receivables	9	158,731	120,985	125,770	111,982
Reinsurance assets	10	124,592	101,633	124,592	101,633
Insurance receivables	11	13,778	15,592	13,778	15,592
Other receivables	12	22,933	13,958	22,933	13,958
Current tax assets		-	7,024	-	7,024
Cash and bank balances		12,493	11,990	12,483	11,980
<b>TOTAL ASSETS</b>		<b>3,332,768</b>	<b>2,997,323</b>	<b>3,332,681</b>	<b>2,997,240</b>
<b>EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>					
Share capital	13	358,000	358,000	358,000	358,000
Retained earnings	14	98,361	68,823	98,361	68,823
Reserves		126,914	77,692	126,914	77,692
<b>Total equity</b>		<b>583,275</b>	<b>504,515</b>	<b>583,275</b>	<b>504,515</b>
Insurance contract liabilities	15	2,546,173	2,303,544	2,546,173	2,303,544
Insurance claims liabilities		55,918	41,463	55,918	41,463
Insurance payables	16	13,758	21,998	13,758	21,998
Lease liabilities		9,964	9,508	9,964	9,508
Other financial liabilities	17	2,755	5,987	2,755	5,987
Other payables	18	78,396	65,489	78,309	65,406
Current tax liabilities		1,211	-	1,211	-
Deferred tax liabilities	19	41,318	44,819	41,318	44,819
<b>Total liabilities</b>		<b>2,749,493</b>	<b>2,492,808</b>	<b>2,749,406</b>	<b>2,492,725</b>
<b>TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>		<b>3,332,768</b>	<b>2,997,323</b>	<b>3,332,681</b>	<b>2,997,240</b>

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

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

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Gross premiums		962,335	801,671	962,335	801,671
Premiums ceded to reinsurers		(69,185)	(69,348)	(69,185)	(69,348)
Net premiums		893,150	732,323	893,150	732,323
Investment income	20	114,426	103,619	116,008	108,376
Net fair value gains	21	-	107,207	-	101,582
Other operating income	22	12,542	8,093	12,542	8,093
Other income		126,968	218,919	128,550	218,051
Gross benefits and claims paid		(440,710)	(323,863)	(440,710)	(323,863)
Claims ceded to reinsurers		62,583	48,559	62,583	48,559
Gross change in contract liabilities		(242,629)	(414,921)	(242,629)	(414,921)
Change in contract liabilities ceded to reinsurers		17,800	(38,016)	17,800	(38,016)
Net claims		(602,956)	(728,241)	(602,956)	(728,241)
Net fair value losses	21	(106,451)	-	(109,374)	-
Net realised losses	23	(21)	(5)	(21)	(5)
Commission expenses		(78,239)	(72,603)	(78,239)	(72,603)
Management expenses	24	(138,955)	(140,759)	(137,614)	(139,891)
Other operating expenses		(1,055)	(222)	(1,055)	(222)
Investment expenses		(1,889)	(2,127)	(1,889)	(2,127)
Finance cost		(344)	(404)	(344)	(404)
Other expenses		(326,954)	(216,120)	(328,536)	(215,252)
Profit before taxation		90,208	6,881	90,208	6,881
Tax credit/(expense) attributable to policyholders and unitholders		653	(14,494)	653	(14,494)
Profit/(loss) before taxation attributable to Shareholders		90,861	(7,613)	90,861	(7,613)
Taxation	25	(11,448)	(6,054)	(11,448)	(6,054)
Tax (credit)/expense attributable to policyholders and unitholders		(653)	14,494	(653)	14,494
Tax (expense)/credit attributable to Shareholders		(12,101)	8,440	(12,101)	8,440
Net profit and total comprehensive income for the financial year		78,760	827	78,760	827
Basic earnings per share (sen)	26	32.55	0.34	32.55	0.34

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



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**SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>Note</u>	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u> RM'000
		<u>Share capital</u> RM'000	<u>Reserves<sup>1</sup></u> RM'000	<u>Retained earnings</u> RM'000	
<u>Group/Company</u>					
At 1 January 2021		358,000	77,692	68,823	504,515
Total comprehensive income/(loss) for the financial year		-	81,622	(2,862)	78,760
Transfer of surpluses		-	(32,400)	32,400	-
At 31 December 2021		<u>358,000</u>	<u>126,914</u>	<u>98,361</u>	<u>583,275</u>
<u>Group/Company</u>					
At 1 January 2020		358,000	103,809	101,879	563,688
Dividends	27	-	-	(60,000)	(60,000)
Total comprehensive (loss)/income for the financial year		-	(26,117)	26,944	827
At 31 December 2020		<u>358,000</u>	<u>77,692</u>	<u>68,823</u>	<u>504,515</u>

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

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

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit for the financial year	78,760	827	78,760	827
Adjustments for:				
Gross change in contract liabilities	242,629	414,921	242,629	414,921
Change in contract liabilities ceded to reinsurers	(17,800)	38,016	(17,800)	38,016
Property and equipment				
- depreciation	3,051	2,702	3,051	2,702
- losses on disposal	21	5	21	5
Amortisation of intangible assets	9,642	8,938	9,642	8,938
Allowance for impairment of intangible assets	-	3,706	-	3,706
Amortisation of right-of-use assets	3,037	3,087	3,037	3,087
Net fair value losses/(gains) on investments at fair value through profit or loss	106,451	(107,207)	109,374	(101,582)
Interest income	(97,880)	(91,462)	(82,068)	(74,673)
Dividend income	(16,082)	(11,628)	(33,476)	(33,174)
Rental income	(464)	(529)	(464)	(529)
Finance cost	344	404	344	404
Taxation	11,448	6,054	11,448	6,054
Short term lease expense	144	167	144	167
Low value lease assets expense	11	16	11	16
	<u>323,312</u>	<u>268,017</u>	<u>324,653</u>	<u>268,885</u>
Profit from operations before changes in operating assets and liabilities				
Increase in loans and receivables	(37,569)	(20,804)	(13,612)	(30,119)
(Increase)/decrease in receivables	(6,673)	4,837	(6,673)	4,837
Increase in right-of-use assets	(3,440)	(668)	(3,440)	(668)
Increase in insurance claims liabilities	9,296	3,531	9,296	3,531
Increase/(decrease) in payables	4,839	(1,563)	4,835	(1,562)
Purchase of investments	(911,280)	(780,286)	(796,094)	(603,808)
Proceeds from disposal and maturity of investments	536,871	504,848	395,372	331,776
	<u>(84,644)</u>	<u>(22,088)</u>	<u>(85,663)</u>	<u>(27,128)</u>
Investment income received:				
- Dividend	15,980	11,577	33,374	33,123
- Interest	96,351	88,948	79,976	72,437
- Rental	464	529	464	529
Interest paid	(343)	(425)	(343)	(425)
Taxation paid	(7,100)	(9,685)	(7,100)	(9,685)
Short term and low value lease assets paid	(163)	(156)	(163)	(156)
	<u>20,545</u>	<u>68,700</u>	<u>20,545</u>	<u>68,695</u>
Net cash generated from operating activities				

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**SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of property and equipment	3	-	3	-
Purchase of property and equipment	(15,070)	(7,873)	(15,070)	(7,873)
Purchase of intangible assets	(2,034)	(2,056)	(2,034)	(2,056)
Net cash used in investing activities	<u>(17,101)</u>	<u>(9,929)</u>	<u>(17,101)</u>	<u>(9,929)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	-	(60,000)	-	(60,000)
Payment of lease liabilities	(2,941)	(2,651)	(2,941)	(2,651)
Net cash used in financing activities	<u>(2,941)</u>	<u>(62,651)</u>	<u>(2,941)</u>	<u>(62,651)</u>
Net increase/(decrease) in cash and cash equivalents	503	(3,880)	503	(3,885)
Cash and cash equivalents at beginning of the financial year	<u>11,990</u>	<u>15,870</u>	<u>11,980</u>	<u>15,865</u>
Cash and cash equivalents at end of the financial year	<u><u>12,493</u></u>	<u><u>11,990</u></u>	<u><u>12,483</u></u>	<u><u>11,980</u></u>
Cash and cash equivalents comprise:				
Cash and bank balances	<u><u>12,493</u></u>	<u><u>11,990</u></u>	<u><u>12,483</u></u>	<u><u>11,980</u></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 insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

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

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**SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

**1 CORPORATE INFORMATION**

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

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

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

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company, effective from 2 October 2019. All three companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 March 2022.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The Group's and the Company's financial statements were 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.

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

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and 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 Group's and the Company's accounting policies.

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 as of 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 Group's and the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

New standard that is effective and was adopted

The amendments and improvements to published standards and interpretations that the Group and the Company have adopted for the first time for the financial year beginning on or after 1 January 2021 are as follows:

(i) Amendments to MFRS 16 “COVID-19-Related Rent Concessions”

The adoption of this amendment did not have any material impact to the Group’s and the Company’s financial statements.

New standard that is effective and was deferred for adoption

The amendments and improvements to published standards and interpretations that are relevant and effected for the financial years beginning on or after 1 January 2018, but were deferred for adoption by the Group and the Company are as follows:

- Amendments to MFRS 4 – Extension of the Temporary Exemption from 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 2023 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Group's and the Company's business activity are predominately insurance and, hence, qualify for the temporary exemption approach. Consequently, management 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 2023, which is in line with the adoption of MFRS 17 Insurance Contracts. The additional disclosures are in Note 36.

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

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

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2021. None of these are expected to have a significant effect on the financial statements of the Group and Company, except for the following as set out below:

- MFRS 17 "Insurance Contracts" (effective from 1 January 2023) 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 services other than insurance contract services 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 components for services other than insurance contract services should be "unbundled" and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

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

SUN LIFE MALAYSIA ASSURANCE BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Alternative measurement models are provided for the different insurance coverage:

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

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

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

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

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with the 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when they fall within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

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

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021' (effective 1 January 2022) extend the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022.

There is no financial impact of this amendment to the Group and 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 interpretations of existing standards that are applicable to the Group and the Company, but not yet effective: (continued)

- Amendments to MFRS 101 “Classification of liabilities as current or non-current” (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

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

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on “Disclosure of Accounting Policies” and “Definition of Accounting Estimates” (effective 1 January 2023).

MFRS 101 and MFRS Practice Statement 2 require the Group and the Company to disclose material accounting policies rather than significant accounting policies. The disclosures are expected to be specific to the Group and the Company and not generic disclosures on MFRS applications.

The amendment explains that an accounting policy is material if, when considered together with other information included in the Group and the Company’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

MFRS 8 provides clarity on how to distinguish changes in accounting policies from changes in accounting estimates. The amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

There is no financial impact of these amendments to the Group and the Company.



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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**

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Group refers to the Company and its investment in structured entities.

**(ii) Change in ownership interest in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that are transactions with the owner in their capacity as owners. The difference between the fair value of any consideration paid and relevant shares equivalent of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(iii) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the subsidiary is remeasured to its fair value as of the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 139, Financial Instruments: Recognition and Measurement. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

(c) Business combination

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed as of the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired as of the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the acquired net assets, the difference is recognised directly in profit or loss.

(d) 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 Group and 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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Property and equipment (continued)

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

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

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

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

The residual values, useful lives, and depreciation methods 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 Group and the Company assess 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(h) on impairment of non-financial 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.

(e) Intangible asset

The Group's and the Company's intangible assets consist of exclusive partnership fee and computer software.

(i) 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 Group and 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. The partnership fee has been fully impaired in 2020. See accounting policy Note 2.2(h)(ii) on impairment of non-financial assets.

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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) Intangible assets (continued)

(ii) 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 directly associated with identifiable software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond 1 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(h)(ii) on impairment of non-financial 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.

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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)

(f) Financial assets

The Group and the Company classify their financial assets in the following categories: at fair value through profit or loss (FVTPL) and loans and other receivables (LAR).

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

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

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

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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)

(f) Financial assets (continued)

LAR

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

(g) Fair value of financial instruments

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

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

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment

(i) Financial assets

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

Assets carried at amortised cost

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

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

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

(ii) Non-financial assets

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

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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)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment as of 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.

(i) 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 Group and the Company have also transferred substantially all risks and rewards of ownership.

(j) Equity instruments

Share capital

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

Dividends

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

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

Reserves

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



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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) Product classification

The Group and the Company issue contracts that transfer insurance risk or financial risk or both.

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

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

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

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

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

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

- 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 Group's and the Company's profit or loss, fund or other entity that issues the contract.

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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) Product classification (continued)**

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

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

Unallocated surpluses of the DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year are held in equity in line with the approval granted from BNM in April 2018.

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

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

**(l) Reinsurance**

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Reinsurance (continued)

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

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

(m) Life insurance underwriting results

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

Gross premiums

Gross premiums include premiums recognised in the Life fund and the Investment-linked fund.

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

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

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

Reinsurance premiums

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

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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)

(m) Life insurance underwriting results (continued)

Benefits and claims expenses

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

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

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

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

Commission and agency expenses

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

(n) Insurance receivables

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities

(i) Actuarial liabilities

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

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

In the case of a life policy where a part or the whole of the premiums are accumulated in a fund, the liabilities is the higher of the accumulated amount, or the sum of the accumulated amount and the actuarial liability calculated using the prospective actuarial valuation method.

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

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

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

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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)

(o) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

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

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

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

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

(ii) Unallocated surplus

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

Surpluses in the DPF fund arising during the financial year are recognised in the statement of comprehensive income and the unallocated surplus, and where the amount of surplus allocation to shareholders which has yet to be determined by the end of the financial year is held in equity in line with the approval granted from BNM in April 2018.

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Insurance contract liabilities (continued)

(iii) Net asset value attributable to unit holders

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

(p) Other revenue recognition

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

Interest income

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

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

Rental income

Rental income is recognised on a time proportion basis.

Dividend income

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

Realised gains and losses on investments

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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 for the financial year and is measured using the tax rates enacted as of the date of the statement of financial position. Current tax is recognised in profit or loss. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

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 taxable profits will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be used.

Deferred tax is measured at the tax rates expected to apply in the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted as of 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 Group and the Company have 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.

(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 the Group's and the Company's employees.

(ii) Post-employment benefits

Defined contribution plan

The Group's and 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 are paid, the Group and the Company have no further payment obligations.



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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Share-based payment plan

Certain employees of the Group and 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 as disclosed in Note 24(c) to the financial statements. The total liabilities for this plan are 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) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability, but disclose 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 Group's and the Company's control 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 Group's and the Company's control. The Group and the Company do not recognise contingent assets, but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

(u) Other financial liabilities and insurance payables

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

(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 3 months or less. It excludes deposits which are held for investment purposes.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Leases

Leases are recognised as a right-of-use asset and a corresponding liability as of the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the Group's and the Company's control and whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term. A revision in lease term results in remeasurement of the lease liabilities.

(ii) Right-of-use assets

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability; and
- Any lease payments made at or before the commencement date less any lease incentive received.

Right-of-use assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. In addition, the right-of-use assets are adjusted for certain remeasurement of the lease liabilities.

While the Group and the Company revalue land and building (presented as part of property and equipment) they own, they have chosen not to revalue the right-of-use building held by the Group and the Company.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Leases (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- The exercise price of a purchase and extension option if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security, and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(iv) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment. Payments associated with short-term leases of property and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's and 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, as of 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:

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

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

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

(b) Key sources of estimation uncertainty and assumptions

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

Estimated impairment of intangible asset

The Group and the Company test annually whether the intangible assets on partnership fee is impaired by measuring the recoverable amount of the cash generating units based on the value-in-use method, which require the use of the estimates of future cash flow projections and discount rate. Changes to the assumption used by Management, particularly the discount rate, may affect the results of the impairment assessment.

Valuation of actuarial liabilities

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

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

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

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

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

Discount rate for non-participating policies, participating policies, and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security (MGS). The approach used to set the discount rates for participating policies are the same as for non-participating ones in line with the approval granted from BNM in April 2018.

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3 PROPERTY AND EQUIPMENT

<u>Group/Company</u>	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land and buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>							
1 January 2020	5,568	14,058	1,912	912	43,939	10,391	76,780
Additions	141	467	118	-	-	7,147	7,873
Disposals	-	-	(8)	-	-	-	(8)
Reclassification	-	558	13	-	-	(571)	-
Reclassification to Intangible Assets	-	-	-	-	-	(6,536)	(6,536)
At 31 December 2020/ 1 January 2021	5,709	15,083	2,035	912	43,939	10,431	78,109
Additions	7	1,941	104	-	-	13,018	15,070
Disposals	-	(10)	(77)	-	-	-	(87)
Reclassification	-	874	84	-	-	(958)	-
Reclassification to Intangible Assets	-	-	-	-	-	(11,441)	(11,441)
At 31 December 2021	5,716	17,888	2,146	912	43,939	11,050	81,651

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3 PROPERTY AND EQUIPMENT (CONTINUED)

<u>Group/Company</u>	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land and buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Accumulated depreciation</u>							
1 January 2020	3,321	11,098	1,453	855	4,660	-	21,387
Charge for the financial year (note 24)	400	1,664	199	56	383	-	2,702
Disposals	-	-	(3)	-	-	-	(3)
At 31 December 2020/ 1 January 2021	3,721	12,762	1,649	911	5,043	-	24,086
Charge for the financial year (note 24)	402	2,094	172	-	383	-	3,051
Disposals	-	(7)	(56)	-	-	-	(63)
At 31 December 2021	4,123	14,849	1,765	911	5,426	-	27,074
<u>Net carrying amount</u>							
31 December 2021	1,593	3,039	381	1	38,513	11,050	54,577
31 December 2020	1,988	2,321	386	1	38,896	10,431	54,023

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4 INTANGIBLE ASSETS

	Partnership fee <u>RM'000</u>	Computer software <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>Group/Company</u>			
<u>Cost</u>			
At 1 January 2020	5,869	52,270	58,139
Addition	-	2,056	2,056
Reclassification from Property and Equipment	-	6,536	6,536
	<u>5,869</u>	<u>60,862</u>	<u>66,731</u>
At 31 December 2020/1 January 2021	5,869	60,862	66,731
Addition	-	2,034	2,034
Reclassification from Property and Equipment	-	11,441	11,441
	<u>5,869</u>	<u>74,337</u>	<u>80,206</u>
At 31 December 2021	5,869	74,337	80,206
<u>Accumulated amortisation</u>			
At 1 January 2020	1,501	39,787	41,288
Amortisation charged to profit or loss (note 24)	662	8,276	8,938
	<u>2,163</u>	<u>48,063</u>	<u>50,226</u>
At 31 December 2020/1 January 2021	2,163	48,063	50,226
Amortisation charged to profit or loss (note 24)	-	9,642	9,642
	<u>2,163</u>	<u>57,705</u>	<u>59,868</u>
At 31 December 2021	2,163	57,705	59,868
<u>Accumulated allowance for impairment loss</u>			
At 1 January 2020	-	-	-
Allowance for impairment loss (note 24)	3,706	-	3,706
	<u>3,706</u>	<u>-</u>	<u>3,706</u>
At 31 December 2020/1 January 2021	3,706	-	3,706
Allowance for impairment loss (note 24)	-	-	-
	<u>3,706</u>	<u>-</u>	<u>3,706</u>
At 31 December 2021	3,706	-	3,706
<u>Net carrying amount</u>			
31 December 2021	<u>-</u>	<u>16,632</u>	<u>16,632</u>
31 December 2020	<u>-</u>	<u>12,799</u>	<u>12,799</u>

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5 RIGHT-OF-USE ASSETS

<u>Group/Company</u>	<u>Information Technology</u> RM'000	<u>Property</u> RM'000	<u>Office equipment</u> RM'000	<u>Total</u> RM'000
At 1 January 2021	8,653	504	81	9,238
Additions	-	3,226	214	3,440
Amortisation charged to profit and loss (note 24)	(2,473)	(494)	(70)	(3,037)
At 31 December 2021	<u>6,180</u>	<u>3,236</u>	<u>225</u>	<u>9,641</u>
At 1 January 2020	11,318	161	177	11,656
Additions	-	580	-	580
Amortisation charged to profit and loss (note 24)	(2,755)	(237)	(95)	(3,087)
Adjustments	90	-	(1)	89
At 31 December 2020	<u>8,653</u>	<u>504</u>	<u>81</u>	<u>9,238</u>



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6 FINANCIAL ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	682,214	726,245	620,218	644,358
Cagamas bonds	5,911	6,339	5,911	6,339
Unquoted corporate debt securities	1,490,693	1,416,281	1,207,165	1,121,612
Quoted equity securities	188,498	159,039	188,498	159,039
Unit trust funds	500,411	342,003	500,411	342,003
Controlled structured entities (note 7)	-	-	378,408	385,486
Structured product (note 8)	51,490	-	51,490	-
Unquoted equity securities	174	174	174	174
	<u>2,919,391</u>	<u>2,650,081</u>	<u>2,952,275</u>	<u>2,659,011</u>

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

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Fair value through profit or loss (FVTPL)				
- designated upon initial recognition	<u>2,919,391</u>	<u>2,650,081</u>	<u>2,952,275</u>	<u>2,659,011</u>

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

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
FVTPL - designated upon initial recognition	<u>2,032,550</u>	<u>2,113,364</u>	<u>1,740,656</u>	<u>1,741,890</u>

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6 FINANCIAL ASSETS (CONTINUED)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(a) FVTPL - designated upon initial recognition				
Malaysian Government Securities	682,214	726,245	620,218	644,358
Cagamas bonds	5,911	6,339	5,911	6,339
Unquoted corporate debt securities	1,490,693	1,416,281	1,207,165	1,121,612
Quoted equity securities	188,498	159,039	188,498	159,039
Unit trust funds	500,411	342,003	500,411	342,003
Controlled structured entities	-	-	378,408	385,486
Structured product	51,490	-	51,490	-
Unquoted equity securities	174	174	174	174
	2,919,391	2,650,081	2,952,275	2,659,011
(b) Carrying values of financial assets				
<u>Group</u>			<u>FVTPL/Total</u> RM'000	
At 1 January 2021			2,650,081	
Purchases			911,280	
Maturities			(50,258)	
Disposals			(473,524)	
Fair value losses recorded in:				
Profit or loss (note 21)			(119,540)	
Movement in accrued interest			1,352	
At 31 December 2021			2,919,391	
At 1 January 2020			2,265,074	
Purchases			780,286	
Maturities			(37,599)	
Disposals			(448,135)	
Fair value gains recorded in:				
Profit or loss (note 21)			88,093	
Movement in accrued interest			2,362	
At 31 December 2020			2,650,081	

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6 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial assets (continued)

<u>Company</u>	<u>FVTPL/Total</u> <u>RM'000</u>
At 1 January 2021	2,659,011
Purchases	796,094
Maturities	(45,144)
Disposals	(337,198)
Fair value losses recorded in:	
Profit or loss (note 21)	(122,404)
Movement in accrued interest	1,916
At 31 December 2021	<u>2,952,275</u>
At 1 January 2020	2,283,316
Purchases	603,808
Maturities	(15,160)
Disposals	(305,264)
Fair value gains recorded in:	
Profit or loss (note 21)	90,230
Movement in accrued interest	2,081
At 31 December 2020	<u>2,659,011</u>

(c) Fair value hierarchy

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

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

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

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

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6 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

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 implied volatility, option sensitivity and assumptions about risk.

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 31 December 2021.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Group</u>				
<u>FVTPL</u>				
<u>2021</u>				
Malaysian Government				
Securities	-	682,214	-	682,214
Cagamas bonds	-	5,911	-	5,911
Unquoted corporate debt				
Securities	-	1,490,693	-	1,490,693
Quoted equity securities	188,498	-	-	188,498
Unit trust funds	500,411	-	-	500,411
Structured product	-	-	51,490	51,490
Unquoted equity securities	-	-	174	174
	<u>688,909</u>	<u>2,178,818</u>	<u>51,664</u>	<u>2,919,391</u>
<u>2020</u>				
Malaysian Government				
Securities	-	726,245	-	726,245
Cagamas bonds	-	6,339	-	6,339
Unquoted corporate debt				
securities	-	1,416,281	-	1,416,281
Quoted equity securities	159,039	-	-	159,039
Unit trust funds	342,003	-	-	342,003
Unquoted equity securities	-	-	174	174
	<u>501,042</u>	<u>2,148,865</u>	<u>174</u>	<u>2,650,081</u>

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6 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Company</u>				
<u>FVTPL</u>				
<u>2021</u>				
Malaysian Government Securities	-	620,218	-	620,218
Cagamas bonds	-	5,911	-	5,911
Unquoted corporate debt securities	-	1,207,165	-	1,207,165
Quoted equity securities	188,498	-	-	188,498
Unit trust funds	500,411	-	-	500,411
Structured product	-	-	51,490	51,490
Controlled structured entities	378,408	-	-	378,408
Unquoted equity securities	-	-	174	174
	<u>1,067,317</u>	<u>1,833,294</u>	<u>51,664</u>	<u>2,952,275</u>
<u>FVTPL</u>				
<u>2020</u>				
Malaysian Government Securities	-	644,358	-	644,358
Cagamas bonds	-	6,339	-	6,339
Unquoted corporate debt securities	-	1,121,612	-	1,121,612
Quoted equity securities	159,039	-	-	159,039
Unit trust funds	342,003	-	-	342,003
Controlled structured entities	385,486	-	-	385,486
Unquoted equity securities	-	-	174	174
	<u>886,528</u>	<u>1,772,309</u>	<u>174</u>	<u>2,659,011</u>

There were no movements in Levels 1, 2 and 3 of the fair value hierarchy during the current financial year.

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**7 CONTROLLED STRUCTURED ENTITIES**

The Company has determined that its investment in wholesale unit trust funds amounting to RM378,408,000 (2020: RM385,486,000) as disclosed in Note 6 to the financial statements as investment in structured entities (investee funds). The Company invests in a investee fund whose objective is to achieve medium to long-term returns while preserving capital and whose investment strategy does not include the use of leverage. The investee fund is managed by Opus Asset Management Sdn Bhd and applies various investment strategies to accomplish the investment objectives. The investee fund finances its operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the investee fund's net assets.

The Company holds 100% of the Opus Income Fund 2, a fund established in Malaysia, and thus has control over the investee fund. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The investee funds are classified as FVTPL investments and the change in fair value of the investee fund is included in the statement of comprehensive income in the Company's financial statements.

The Company's exposure to investments in the investee fund is disclosed below.

	<u>2021</u>	<u>2020</u>
Number of wholesale unit trust funds	1	1
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund 2 (RM)	1.0243	1.0760
Fair value of underlying net assets:	RM'000	RM'000
Malaysian Government Securities	61,996	81,887
Unquoted corporate debt securities	283,528	294,670
Deposits with licensed financial institutions	32,961	9,003
Cash equivalents	10	10
Payables	(87)	(84)
	<u>378,408</u>	<u>385,486</u>
Total fair value (losses)/gains for the financial year*	<u>(24,472)</u>	<u>1,919</u>

The Company's maximum exposure to loss from its interests in the investee fund is equal to the fair value of its investment in the investee fund.

As the Company has control over the investee fund which is considered a controlled structured entity, the structured entity is consolidated at the Group level. The underlying assets of the structured entity are duly consolidated in the financial statements.

\* The Company's total fair value (losses)/gains for the financial year is included in the unrealized (losses)/gains of the financial assets at FVTPL – designated upon initial recognition in Note 21.

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**8 STRUCTURED PRODUCT**

Structured product of the Group and the Company is classified as FVTPL. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The carrying amount of structured product is presented as follows:

	<-----2021----->	
	Notional amount RM'000	Net carrying amount RM'000
Financial assets at FVTPL		
Index linked notes	50,000	51,490
	<u>50,000</u>	<u>51,490</u>
Total structured product	<u><u>50,000</u></u>	<u><u>51,490</u></u>

The net carrying amount of the structured product of the Group and the Company represents the fair value of the products and is derived based on valuation techniques from market observable inputs. They are revalued at the reporting date using such values provided by the respective counterparties and as validated by the Group and the Company.

**9 LOANS AND RECEIVABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Policy loans	26,991	22,563	26,991	22,563
Fixed and call deposits with licensed financial institutions	131,740	98,422	98,779	89,419
	<u>158,731</u>	<u>120,985</u>	<u>125,770</u>	<u>111,982</u>
Receivable within 12 months	131,740	98,422	98,779	89,419
Receivable after 12 months	26,991	22,563	26,991	22,563
	<u><u>158,731</u></u>	<u><u>120,985</u></u>	<u><u>125,770</u></u>	<u><u>111,982</u></u>

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

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10 REINSURANCE ASSETS

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	26,958	21,799
- insurance contract liabilities (note 15)	97,634	79,834
	<u>124,592</u>	<u>101,633</u>
Receivable within 12 months	32,769	25,959
Receivable after 12 months	91,823	75,674
	<u>124,592</u>	<u>101,633</u>

11 INSURANCE RECEIVABLES

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	13,560	15,580
Due from reinsurers and cedants	218	12
	<u>13,778</u>	<u>15,592</u>
Receivable within 12 months	<u>13,778</u>	<u>15,592</u>

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

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Gross amounts of recognised financial assets	52,598	17,972
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (note 16)	(38,820)	(2,380)
Net amounts of financial assets presented in the statement of financial position	<u>13,778</u>	<u>15,592</u>

There are no financial instruments subjected to an enforceable master netting arrangement or financial collaterals (including cash collaterals) pledged or received as at 31 December 2021 (2020: nil).



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12 OTHER RECEIVABLES

	Group/Company	
	2021 RM'000	2020 RM'000
Amount due from fund manager/brokers	170	1,136
Amount due from related parties	15,039	6,521
Deposits receivable	624	331
Dividend receivable	290	188
Subscription to LIAM shares	2,147	2,147
Other receivables	4,663	3,635
	<u>22,933</u>	<u>13,958</u>
Receivable within 12 months	20,786	11,811
Receivable after 12 months	2,147	2,147
	<u>22,933</u>	<u>13,958</u>

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

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

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13 SHARE CAPITAL

<u>Group/Company</u>	<u>2021</u>		<u>2020</u>	
	<u>Number of shares</u> <u>'000</u>	<u>Nominal value</u> <u>RM'000</u>	<u>Number of shares</u> <u>'000</u>	<u>Nominal value</u> <u>RM'000</u>
<u>Issued and paid up</u>				
Ordinary shares with no par value:				
- At beginning/end of the financial year	242,000	258,000	242,000	258,000
Perpetual non-cumulative preference shares (PPS) with no par value:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
	<u>342,000</u>	<u>358,000</u>	<u>342,000</u>	<u>358,000</u>

Features of the Perpetual Non-cumulative Preference Shares (PPS)

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

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

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

14 RETAINED EARNINGS

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

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

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15 **INSURANCE CONTRACT LIABILITIES**

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

<u>Group/Company</u>	<u>2021</u>			<u>2020</u>		
	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000
Actuarial liabilities	1,971,999	(97,634)	1,874,365	1,891,647	(79,834)	1,811,813
Net asset value attributable to unitholders	574,174	-	574,174	411,897	-	411,897
	<u>2,546,173</u>	<u>(97,634)</u>	<u>2,448,539</u>	<u>2,303,544</u>	<u>(79,834)</u>	<u>2,223,710</u>
Current	635,033	(5,811)	629,222	466,157	(4,160)	461,997
Non-current	1,911,140	(91,823)	1,819,317	1,837,387	(75,674)	1,761,713
	<u>2,546,173</u>	<u>(97,634)</u>	<u>2,448,539</u>	<u>2,303,544</u>	<u>(79,834)</u>	<u>2,223,710</u>

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15 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

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

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2021	2,303,544	(79,834)	2,223,710
<u>Projected changes of inforce policies</u>			
Premium income	394,665	(66,748)	327,917
Expense and commission	(59,584)	141	(59,443)
Benefits	(248,312)	67,386	(180,926)
Interest on cashflows	32,646	(1,324)	31,322
Others	(27,352)	7,827	(19,525)
Experience variance on inforce policies	49,511	(5,120)	44,391
Reserve for new policies	48,559	(18,891)	29,668
<u>Assumption changes</u>			
Discount rate	(97,892)	5,070	(92,822)
Mortality	(1)	1	-
Lapse rates	(4,362)	5,480	1,118
Policy expenses	2,927	-	2,927
Expense reserve	(10,245)	-	(10,245)
Other changes	(208)	(11,622)	(11,830)
Movement in net asset value attributable to unitholders	162,277	-	162,277
At 31 December 2021	<u>2,546,173</u>	<u>(97,634)</u>	<u>2,448,539</u>

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15 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

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

<u>Group/Company</u>	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2020	1,888,623	(117,850)	1,770,773
<u>Projected changes of inforce policies</u>			
Premium income	362,175	(65,867)	296,308
Expense and commission	(49,549)	197	(49,352)
Benefits	(240,351)	70,235	(170,116)
Interest on cashflows	48,120	(3,382)	44,738
Others	(32,970)	8,170	(24,800)
Experience variance on inforce policies	25,578	(5,649)	19,929
Reserve for new policies	91,766	(16,884)	74,882
<u>Assumption changes</u>			
Discount rate	90,990	(5,287)	85,703
Mortality	(62,854)	50,069	(12,785)
Lapse rates	2,081	5	2,086
Policy expenses	-	-	-
Expense reserve	25,387	-	25,387
Other changes	31,750	6,409	38,159
Movement in net asset value attributable to unitholders	122,798	-	122,798
At 31 December 2020	<u>2,303,544</u>	<u>(79,834)</u>	<u>2,223,710</u>

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16 INSURANCE PAYABLES

	<u>Group/Company</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000
Due to agents and intermediaries	5,145	4,635
Due to reinsurers and cedants	8,613	17,363
	<u>13,758</u>	<u>21,998</u>
Payable within 12 months	<u>13,758</u>	<u>21,998</u>

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

	<u>Group/Company</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000
Gross amounts of recognized financial liabilities	52,578	24,378
Less: Gross amounts of recognized financial assets set off in the statement of financial position (note 11)	(38,820)	(2,380)
Net amounts of financial liabilities presented in the statement of financial position	<u>13,758</u>	<u>21,998</u>

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 2021 (2020: nil).

17 OTHER FINANCIAL LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000
Outstanding purchases of investment securities	501	860	501	860
Unprocessed proposals	2,197	4,887	2,197	4,887
Others	57	240	57	240
	<u>2,755</u>	<u>5,987</u>	<u>2,755</u>	<u>5,987</u>
Payable within 12 months	<u>2,755</u>	<u>5,987</u>	<u>2,755</u>	<u>5,987</u>

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

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18 OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits	79	79	79	79
Amount due to related parties	2,325	3,271	2,325	3,271
Accrual for bonus	30,433	10,118	30,433	10,118
Accrual for electronic data processing expenses	1,861	1,180	1,861	1,180
Accrual for sales and marketing expenses	11,689	13,291	11,689	13,291
Accrual for advertising cost	1,153	770	1,153	770
Accrual for other expenses	9,812	9,552	9,725	9,469
Advance premium	13,739	21,094	13,739	21,094
Others	7,305	6,134	7,305	6,134
	78,396	65,489	78,309	65,406

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

19 DEFERRED TAX LIABILITIES

	Group/Company	
	2021	2020
	RM'000	RM'000
At 1 January 2021	44,819	43,439
Recognised in:		
Profit or loss (note 25)	(3,501)	1,380
At 31 December 2021	41,318	44,819
Current	5	7
Non-current	41,313	44,812
	41,318	44,819

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.

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19 DEFERRED TAX LIABILITIES (CONTINUED)

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

	<u>Group/Company</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000
Deferred tax liabilities	41,318	44,819
	<u>41,318</u>	<u>44,819</u>

<u>Group/Company</u>	<u>Accelerated depreciation</u> RM'000	<u>Revaluation- financial assets</u> RM'000	<u>Provision for expenses</u> RM'000	<u>Reserves</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax liabilities/(assets)</u>					
At 1 January 2020	308	17,357	(178)	25,952	43,439
Recognised in: Profit or loss (note 25)	-	7,841	68	(6,529)	1,380
At 31 December 2020/ 1 January 2021	308	25,198	(110)	19,423	44,819
Recognised in: Profit or loss (note 25)	(275)	(13,457)	(116)	10,347	(3,501)
At 31 December 2021	<u>33</u>	<u>11,741</u>	<u>(226)</u>	<u>29,770</u>	<u>41,318</u>



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19 DEFERRED TAX LIABILITIES (CONTINUED)

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

	<u>Group/Company</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000
<u>Subject to income tax:</u>		
<u>Deferred tax assets (before offsetting)</u>		
Provision for expenses	226	110
Offsetting	(226)	(110)
	<u>          </u>	<u>          </u>
Deferred tax assets (after offsetting)	<u>          </u>	<u>          </u>
 <u>Deferred tax liabilities (before offsetting)</u>		
Property and equipment	33	308
Financial assets	11,741	25,198
Reserves	29,770	19,423
	<u>          </u>	<u>          </u>
Offsetting	(226)	(110)
	<u>          </u>	<u>          </u>
Deferred tax liabilities (after offsetting)	<u>          </u>	<u>          </u>

20 INVESTMENT INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000
Rental income	464	529	464	529
Financial assets at FVTPL – designated upon initial recognition				
Interest income	94,150	87,745	78,745	71,215
Dividend income				
- equity securities quoted in Malaysia	15,766	11,628	15,766	11,628
- equity securities unquoted in Malaysia	316	-	316	-
- controlled structured entities	-	-	17,394	21,546
LAR interest income	3,730	3,717	3,323	3,458
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>114,426</u>	<u>103,619</u>	<u>116,008</u>	<u>108,376</u>

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21 NET FAIR VALUE (LOSSES)/GAINS

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL - designated upon initial recognition				
Unrealised (losses)/gains* (note 6(b))	(119,540)	88,093	(122,404)	90,230
	<u>(119,540)</u>	<u>88,093</u>	<u>(122,404)</u>	<u>90,230</u>
<u>Realised (losses)/gains:</u>				
- Malaysian Government Securities	(2,322)	2,356	(2,284)	497
- Quoted equity securities	(16)	4,242	(16)	4,242
- Unquoted corporate debt securities	(2,277)	7,494	(2,374)	963
- Unit trust funds	17,704	5,022	17,704	5,022
- Controlled structured entities	-	-	-	628
	<u>13,089</u>	<u>19,114</u>	<u>13,030</u>	<u>11,352</u>
	<u>(106,451)</u>	<u>107,207</u>	<u>(109,374)</u>	<u>101,582</u>

\* Includes fair value (losses)/gains on controlled structured entities at the Company level amounting to RM24,472,000 (2020: RM1,919,000) as stated in Note 7.

22 OTHER OPERATING INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Others	12,542	8,093	12,542	8,093
	<u>12,542</u>	<u>8,093</u>	<u>12,542</u>	<u>8,093</u>

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23 NET REALISED LOSSES

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Losses on disposal of property and equipment	21	5

24 MANAGEMENT EXPENSES

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (note 24(a))	59,386	48,448	59,386	48,448
Directors' fees and allowance (note 24(b))	828	832	828	832
Auditors' remuneration:				
Statutory audit				
- current financial year	416	397	416	397
Non-audit services	-	18	-	18
Electronic data processing expenses	5,649	5,289	5,649	5,289
Sales and marketing expenses	37,066	47,547	37,066	47,547
Advertising cost	2,113	1,984	2,113	1,984
Depreciation of property and equipment (note 3)	3,051	2,702	3,051	2,702
Amortisation of intangible assets (note 4)	9,642	8,938	9,642	8,938
Amortisation of right-of-use assets (note 5)	3,037	3,087	3,037	3,087
Allowance of impairment loss of intangible assets (note 4)	-	3,706	-	3,706
Rental expenses	41	24	41	24
Telephone and postage expenses	935	1,136	935	1,136
Short term leases expense	144	167	144	167
Low value lease assets expense	11	16	11	16
Others	16,636	16,468	15,295	15,600
	<u>138,955</u>	<u>140,759</u>	<u>137,614</u>	<u>139,891</u>

(a) Employee benefits expense

Salaries and bonus	47,185	37,723	47,185	37,723
Defined contribution plan	6,623	5,329	6,623	5,329
Share-based payment plan (note 24(c))	775	801	775	801
Expatriate allowances	867	647	867	647
Other staff benefits	3,936	3,948	3,936	3,948
	<u>59,386</u>	<u>48,448</u>	<u>59,386</u>	<u>48,448</u>

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24 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:

<u>Group/Company</u>	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Share-based payment plan</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2021</u>						
Chief Executive Office						
Lew Yung Chow	1,938	271	30	418	-	2,657
Executive Director:						
Encik Leo Michel Grepin	-	-	-	-	-	-
Non-Executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	172	172
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	146	146
Encik Jose Isidro Navato Camacho	-	-	-	-	171	171
Dato' Mohd Shukri Bin Hussin	-	-	-	-	147	147
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	96	96
Encik Ooi Say Teng	-	-	-	-	96	96
	<u>1,938</u>	<u>271</u>	<u>30</u>	<u>418</u>	<u>828</u>	<u>3,485</u>

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24 **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: (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>2021</u>					
Chief Executive Officer:					
Lew Yung Chow	1,589	620	418	30	2,657
Executive Director:					
Encik Leo Michel Grepin	-	-	-	-	-
Non-Executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	160	12	-	-	172
Encik Pushpanathan A/L S.A. Kanagarayar	135	11	-	-	146
Encik Jose Isidro Navato Camacho	155	16	-	-	171
Dato' Mohd Shukri Bin Hussin	135	12	-	-	147
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	6	-	-	96
Encik Ooi Say Teng	90	6	-	-	96
	<u>2,354</u>	<u>683</u>	<u>418</u>	<u>30</u>	<u>3,485</u>

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24 **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: (continued)

<u>Group/Company</u>	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Share-based payment plan</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2020</u>						
Chief Executive Office						
Lew Yung Chow	1,884	264	30	380	-	2,558
Executive Director:						
Encik Leo Michel Grepin	-	-	-	-	-	-
Non-Executive Directors:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	173	173
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	148	148
Encik Jose Isidro Navato Camacho	-	-	-	-	172	172
Dato' Mohd Shukri Bin Hussin	-	-	-	-	148	148
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	96	96
Encik Ooi Say Teng	-	-	-	-	95	95
	<u>1,884</u>	<u>264</u>	<u>30</u>	<u>380</u>	<u>832</u>	<u>3,390</u>

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24 **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: (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>2020</u>					
Chief Executive Officer:					
Lew Yung Chow	1,552	596	380	30	2,558
Executive Director:					
Encik Leo Michel Grepin	-	-	-	-	-
Non-Executive Directors:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	160	13	-	-	173
Encik Pushpanathan A/L S.A. Kanagarayar	135	13	-	-	148
Encik Jose Isidro Navato Camacho	155	17	-	-	172
Dato' Mohd Shukri Bin Hussin	135	13	-	-	148
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	90	6	-	-	96
Encik Ooi Say Teng	90	5	-	-	95
	<u>2,317</u>	<u>663</u>	<u>380</u>	<u>30</u>	<u>3,390</u>

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there were payments for shares and share-linked instruments amounting to RM712,000 (2020: RM528,000 ).

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24 MANAGEMENT EXPENSES (CONTINUED)

(c) Share-based payment plan

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

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Sun Share Unit Plan	775	801

Sun Share Units (SSU) are granted to certain employees of the Group and 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 common shares, 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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25 TAXATION

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Tax expense on the profit for the financial year:				
Income tax:				
Current tax	14,949	7,497	14,949	7,497
Deferred tax (note 19)	(3,501)	1,380	(3,501)	1,380
	<u>11,448</u>	<u>8,877</u>	<u>11,448</u>	<u>8,877</u>
Over provision in prior financial years	-	(2,823)	-	(2,823)
	<u>11,448</u>	<u>6,054</u>	<u>11,448</u>	<u>6,054</u>
Tax expense/(credit) attributable to Shareholders	12,101	(8,440)	12,101	(8,440)
Tax (credit)/expense attributable to policyholders and unitholders	(653)	14,494	(653)	14,494
	<u>11,448</u>	<u>6,054</u>	<u>11,448</u>	<u>6,054</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation attributable to Shareholders	90,861	(7,613)	90,861	(7,613)
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	21,807	(1,827)	21,807	(1,827)
Income not subject to tax	(4,518)	(5,385)	(4,196)	(5,177)
Expenses not deductible for tax purposes	761	290	439	82
Section 110B tax credit set off	(5,949)	1,305	(5,949)	1,305
Over provision in prior financial years	-	(2,823)	-	(2,823)
	<u>12,101</u>	<u>(8,440)</u>	<u>12,101</u>	<u>(8,440)</u>
Tax expense/(credit) attributable to Shareholders	12,101	(8,440)	12,101	(8,440)
Tax (credit)/expense attributable to policyholders and unitholders	(653)	14,494	(653)	14,494
	<u>11,448</u>	<u>6,054</u>	<u>11,448</u>	<u>6,054</u>

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26 BASIC EARNINGS PER SHARE

The Group's and the Company's basic earnings per share is calculated by dividing the profit for the financial year attributable to the Group's and the Company's ordinary equity holders by the weighted average number of ordinary shares in issue during the financial year.

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Profit attributable to ordinary equity holders (RM'000)	78,760	827
Weighted average number of shares in issue ('000)	242,000	242,000
Basic earnings per share (sen)	<u>32.55</u>	<u>0.34</u>

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

27 DIVIDENDS

The amounts of dividends paid or declared by the Company are as follows:

	<u>2021</u>		<u>2020</u>	
	RM per share	RM'000	RM per share	RM'000
Dividend in respect of the previous financial year:				
Perpetual Non-cumulative Preference Shares	-	-	0.08	8,000
Ordinary Shares	-	-	0.2149	52,000
		<u>-</u>		<u>60,000</u>

The Company paid single-tier final dividend of RM60 million on 8 December 2020 for the financial year ended 31 December 2019.

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28 OPERATING LEASE COMMITMENTS

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

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Not later than 1 year	38	31
Later than 1 year and not later than 5 years	5	-
	<u>43</u>	<u>31</u>

29 CAPITAL COMMITMENTS

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Approved and contracted for:		
Property and equipment	-	7
Intangible assets	1,873	2,883
Approved but not contracted for		
Intangible assets	268	2,116
	<u>2,141</u>	<u>5,006</u>

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30 **SIGNIFICANT RELATED PARTY DISCLOSURES**

The related parties of, and their relationship with, the Group and 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
Renggis Ventures Sdn Bhd (RVSB)	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada (SLACC)	Canada	Significant shareholder
Sun Life Financial Inc. (SLF)	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad (CIMBG)	Malaysia	Associate of the ultimate holding company
CIG Berhad (CIGB)	Malaysia	Subsidiary of CIMBG and shareholder of the immediate holding company
CIMB Bank Berhad (CIMB Bank)	Malaysia	Subsidiary of CIMBG
Principal Asset Management Berhad (Principal)	Malaysia	Associate of the ultimate holding company
CIMB Islamic Bank Berhad (CIBB)	Malaysia	Subsidiary of CIMBG
CIMB Howden Insurance Brokers Sdn Bhd (CIMB Howden)	Malaysia	Subsidiary of CIMBG
Sun Life Financial Asia Service Limited (ASCP)	Philippines	Fellow subsidiary of SLF
Sun Life India Service Centre Pvt. Ltd (ASCI)	India	Fellow subsidiary of SLF
Sun Life Malaysia Takaful Berhad (SLMTB)	Malaysia	Fellow subsidiary of the ultimate holding company
Sun Life Capital Management (Canada) Inc. (SLCM)	Canada	Fellow subsidiary of SLF

Key management personnel\*

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

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30 **SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

Related party transactions

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

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

<u>(Income)/expenses</u>	<u>Location</u>	<u>Group/Company</u>	
		<u>2021</u>	<u>2020</u>
		RM'000	RM'000
Premiums received from CIMB Bank and Principal	Malaysia	(15,196)	(13,461)
Premiums paid to SLMTB	Malaysia	384	362
Interest earned from deposits in CIMB Bank and CIBB	Malaysia	(173)	(278)
Commission paid to CIMB Bank	Malaysia	80,706	70,496
Sales and marketing expenses paid to CIMB Bank and Principal	Malaysia	47,346	36,953
Charges paid to CIMB Bank	Malaysia	248	2,093
Reimbursement of expenses received from CIMB Bank	Malaysia	(71)	-
Rental income received from CIMB Bank and SLMTB	Malaysia	(464)	(491)
Shared service expenses charged to SLMTB	Malaysia	(96,938)	(64,778)
Charges paid to SLACC	Canada	2,651	3,681
Investment management fee paid to Principal	Malaysia	516	728
Charges paid to ASCP	Philippines	1,054	301
Reimbursement of expenses received from SLACC	Canada	(2,590)	(2,909)
Charges paid to ASCI	India	1,698	1,402
		<u>          </u>	<u>          </u>

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

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Amount due from SLMTB	14,919	6,516
Amount due from Principal	118	5
Amount due to SLCM	(384)	-
Amount due to SLACC	(885)	(803)
Amount due to CIMB Bank and Principal	(1,055)	(2,079)
Amount due to ASCI	-	(389)
	<u>          </u>	<u>          </u>

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

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30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

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

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Salaries and other short-term employee benefits	11,079	9,229
Defined contribution plan	1,362	1,261
Fees and allowance	828	832
Share-based payment plan	775	801
	<u>14,044</u>	<u>12,123</u>

The estimated cash value of benefits-in-kind provided to the Group's and the Company's key management personnel amounted to RM65,203 (2020: RM33,514).

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

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

	<u>Group/Company</u>			<u>Group/Company</u>		
	<u>2021</u>			<u>2020</u>		
	<u>Number</u>	<u>Unrestricted</u>	<u>Deferred</u>	<u>Number</u>	<u>Unrestricted</u>	<u>Deferred</u>
	<u>of persons</u>	<u>RM'000</u>	<u>RM'000</u>	<u>of persons</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed remuneration cash-based	13	9,762	-	13	7,855	-
Variable remuneration cash-based	13	2,679	-	13	2,635	-
Shares and share-linked remuneration	13	-	775	13	-	801
Benefits-in-kind	3	65	-	2	34	-

During the financial year, none of the key management personnel were entitled to sign-on awards. (2020: RM nil).

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31 **RISK MANAGEMENT FRAMEWORK**

(a) Risk management

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

The RMF involves an on-going process of identifying, measuring, managing, monitoring and reporting significant risks affecting the achievement of the Group's and 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 Group's and the Company's strategies and functional activities throughout the financial year.

The Group and the Company operate 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 Group and the Company have a set of formal risk management policies. These risk policies set out the risk management and control standards for the Group's and the Company's operations. As the Group's and the Company's business respond to changing market conditions and customer needs, the management regularly monitor the appropriateness of the Group's and 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 Group's and 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.

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31 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital management (continued)

The Internal Capital Adequacy Assessment Process (ICAAP) guideline requires the Capital Management Plan (CMP) to specify thresholds for corrective actions. The Group and the Company need 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.

(c) Governance

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

(d) Asset-Liability Management (ALM)

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve the Group's and 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 considers stability of reported earnings, tax effects and capital implications.



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32 **INSURANCE RISK**

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

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

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

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

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

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32 **INSURANCE RISK (CONTINUED)**

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

<u>Group/Company</u>	<u>2021</u>			<u>2020</u>		
	<u>Gross</u> RM'000	<u>Re-</u> <u>insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>insurance</u> RM'000	<u>Net</u> RM'000
Whole life	266,840	(997)	265,843	218,960	(923)	218,037
Term assurance	11,639	(4,443)	7,196	50,167	(4,737)	45,430
Endowment	810,609	(2,436)	808,173	703,259	(3,094)	700,165
Mortgage	787,991	(89,307)	698,684	818,617	(70,561)	748,056
Others	94,920	(451)	94,469	100,644	(519)	100,125
	<u>1,971,999</u>	<u>(97,634)</u>	<u>1,874,365</u>	<u>1,891,647</u>	<u>(79,834)</u>	<u>1,811,813</u>

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

Key assumptions

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

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32 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

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

Discount rate

i. Risk-free rate

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

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

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

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

ii. Fund-based yield

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

Following the approval granted from BNM in 2018, the Company has adopted the risk-free rate to discount the cash flows of the Participating fund policies' liabilities calculation.

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32 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Mortality and morbidity

Best estimate assumptions are based on the Group's and the Company's recent experience studies. Mortality assumption used for the Company's major product is 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 Group's and the Company's recent experience studies. Depending on the product type, PRAD is set at a range of 15% to 45% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the Group's and the Company's experience. 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

Net-of-tax expected fund investment return is used for non-guaranteed Investment-Linked funds' growth rate assumption. Effective September 2021, an explicit PRAD is applied to allow for the inherent uncertainty in the best estimate assumptions. The PRAD is set to apply 1.00% to money market, 1.33% to bonds and 20.00% to equities.

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32 INSURANCE RISK (CONTINUED)

Sensitivities

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

<u>Group/Company</u>	<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 before tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>2021</u>					
Mortality/morbidity	+10	76,245	10,152	(10,152)	(8,223)
Expenses	+10	8,028	8,026	(8,026)	(6,501)
Lapse and surrender rates	+10	6,363	8,065	(8,065)	(6,533)
Discount rate	-1	126,802	118,358	(118,358)	(95,870)

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32 INSURANCE RISK (CONTINUED)

Sensitivities

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

<u>Group/Company</u>	<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 before tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>2020</u>					
Mortality/morbidity	+10	79,441	11,741	(11,741)	(9,393)
Expenses	+10	8,476	8,476	(8,476)	(6,781)
Lapse and surrender rates	+10	3,093	4,041	(4,041)	(3,233)
Discount rate	-1	148,048	140,995	(140,995)	(112,796)

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33 **FINANCIAL RISKS**

(a) **Credit risk**

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

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

The Group and the Company only purchase corporate bonds of high credit standing (with minimum rating of A-) as rated by authorised rating agencies. The Group and the Company also actively monitor and consider the risk of fall in the value of fixed interest securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Group's and the Company's Investment Guidelines.

It is the Group's and 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 Group's and 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 Group and the Company did not change from the previous financial year.

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

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33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

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

<u>2021</u>	<u>Group</u>			<u>Company</u>		
	<u>Life and Shareholders' funds</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000	<u>Life and Shareholders' funds</u> RM'000	<u>Investment-linked funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>						
Fixed and call deposits	123,706	8,034	131,740	90,745	8,034	98,779
Loans	26,991	-	26,991	26,991	-	26,991
Financial assets at FVTPL – designated upon initial recognition						
Malaysian Government Securities	678,208	4,006	682,214	616,212	4,006	620,218
Cagamas bonds	5,911	-	5,911	5,911	-	5,911
Quoted equity securities	117,171	71,327	188,498	117,171	71,327	188,498
Unit trust funds	-	500,411	500,411	-	500,411	500,411
Unquoted corporate debt securities	1,450,354	40,339	1,490,693	1,166,826	40,339	1,207,165
Structured product	51,490	-	51,490	51,490	-	51,490
Controlled Structure Entities (Wholesale Fund)	-	-	-	378,408	-	378,408
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	124,592	-	124,592	124,592	-	124,592
Insurance receivables	13,778	-	13,778	13,778	-	13,778
Other receivables	21,993	940	22,933	21,993	940	22,933
Cash and bank balances	12,473	20	12,493	12,463	20	12,483
	<u>2,626,841</u>	<u>625,077</u>	<u>3,251,918</u>	<u>2,626,754</u>	<u>625,077</u>	<u>3,251,831</u>



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33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

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

	Group			Company		
	<u>Life and Shareholders' funds</u>	<u>Investment-linked funds</u>	<u>Total</u>	<u>Life and Shareholders' funds</u>	<u>Investment-linked funds</u>	<u>Total</u>
<u>2020</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>						
Fixed and call deposits	93,081	5,341	98,422	84,078	5,341	89,419
Loans	22,563	-	22,563	22,563	-	22,563
Financial assets at FVTPL - designated upon initial recognition						
Malaysian Government Securities	724,831	1,414	726,245	642,944	1,414	644,358
Cagamas bonds	6,339	-	6,339	6,339	-	6,339
Quoted equity securities	92,090	66,949	159,039	92,090	66,949	159,039
Unit trust funds	-	342,003	342,003	-	342,003	342,003
Unquoted corporate debt securities	1,372,499	43,782	1,416,281	1,077,830	43,782	1,121,612
Controlled Structure Entities (Wholesale Fund)	-	-	-	385,486	-	385,486
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	101,633	-	101,633	101,633	-	101,633
Insurance receivables	15,592	-	15,592	15,592	-	15,592
Other receivables	12,808	1,150	13,958	12,808	1,150	13,958
Cash and bank balances	11,967	23	11,990	11,957	23	11,980
	<u>2,453,577</u>	<u>460,662</u>	<u>2,914,239</u>	<u>2,453,494</u>	<u>460,662</u>	<u>2,914,156</u>

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33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

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

Group

<u>2021</u>	Neither past-due nor impaired					Not subject to credit risk	Investment-linked funds	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	RM'000
<u>LAR</u>										
Fixed and call deposits	87,224	28,160	-	-	8,322	-	8,034	-	-	131,740
Loans	-	-	-	-	26,991	-	-	-	-	26,991
<u>Financial assets at FVTPL - designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	678,208	-	4,006	-	-	682,214
Cagamas bonds	5,911	-	-	-	-	-	-	-	-	5,911
Quoted equity securities	-	-	-	-	-	117,171	71,327	-	-	188,498
Unit trust funds	-	-	-	-	-	-	500,411	-	-	500,411
Structured product	-	-	-	-	-	51,490	-	-	-	51,490
Unquoted corporate debt securities	163,556	408,948	30,119	-	847,731	-	40,339	-	-	1,490,693
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	71,330	-	-	53,262	-	-	-	-	124,592
Insurance receivables	-	218	-	-	13,560	-	-	-	-	13,778
Other receivables	-	-	-	-	21,993	-	940	-	-	22,933
Cash and bank balances	12,442	31	-	-	-	-	20	-	-	12,493
	269,133	508,687	30,119	-	1,650,067	168,835	625,077	-	-	3,251,918

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33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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

Group

<u>2020</u>	<u>Neither past-due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked funds</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<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	RM'000
<u>LAR</u>										
Fixed and call deposits	46,714	37,364	-	-	9,003	-	5,341	-	-	98,422
Loans	-	-	-	-	22,563	-	-	-	-	22,563
<u>Financial assets at FVTPL - designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	724,831	-	1,414	-	-	726,245
Cagamas bonds	6,339	-	-	-	-	-	-	-	-	6,339
Quoted equity securities	-	-	-	-	-	92,090	66,949	-	-	159,039
Unit trust funds	-	-	-	-	-	-	342,003	-	-	342,003
Unquoted corporate debt securities	113,794	454,079	18,100	4,842	781,684	-	43,782	-	-	1,416,281
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	55,404	2	-	46,227	-	-	-	-	101,633
Insurance receivables	-	-	-	-	15,592	-	-	-	-	15,592
Other receivables	-	-	-	-	12,808	-	1,150	-	-	13,958
Cash and bank balances	11,790	56	-	-	121	-	23	-	-	11,990
	<u>178,637</u>	<u>546,903</u>	<u>18,102</u>	<u>4,842</u>	<u>1,612,829</u>	<u>92,264</u>	<u>460,662</u>	<u>-</u>	<u>-</u>	<u>2,914,239</u>

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33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

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

Company

<u>2021</u>	<u>Neither past-due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked funds</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<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	RM'000
<u>LAR</u>										
Fixed and call deposits	54,263	28,160	-	-	8,322	-	8,034	-	-	98,779
Loans	-	-	-	-	26,991	-	-	-	-	26,991
<u>Financial assets at FVTPL - designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	616,212	-	4,006	-	-	620,218
Cagamas bonds	5,911	-	-	-	-	-	-	-	-	5,911
Quoted equity securities	-	-	-	-	-	117,171	71,327	-	-	188,498
Unit trust funds	-	-	-	-	-	-	500,411	-	-	500,411
Structured product	-	-	-	-	-	51,490	-	-	-	51,490
Controlled structured entities	-	-	-	-	-	378,408	-	-	-	378,408
Unquoted corporate debt securities	152,872	283,218	-	-	730,736	-	40,339	-	-	1,207,165
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	71,330	-	-	53,262	-	-	-	-	124,592
Insurance receivables	-	218	-	-	13,560	-	-	-	-	13,778
Other receivables	-	-	-	-	21,993	-	940	-	-	22,933
Cash and bank balances	12,432	31	-	-	-	-	20	-	-	12,483
	<u>225,478</u>	<u>382,957</u>	<u>-</u>	<u>-</u>	<u>1,471,076</u>	<u>547,243</u>	<u>625,077</u>	<u>-</u>	<u>-</u>	<u>3,251,831</u>

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33 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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

Company

<u>2020</u>	<u>Neither past-due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked funds</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<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	RM'000
<u>LAR</u>										
Fixed and call deposits	46,714	37,364	-	-	-	-	5,341	-	-	89,419
Loans	-	-	-	-	22,563	-	-	-	-	22,563
<u>Financial assets at FVTPL - designated upon initial recognition</u>										
Malaysian Government Securities	-	-	-	-	642,944	-	1,414	-	-	644,358
Cagamas bonds	6,339	-	-	-	-	-	-	-	-	6,339
Quoted equity securities	-	-	-	-	-	92,090	66,949	-	-	159,039
Unit trust funds	-	-	-	-	-	-	342,003	-	-	342,003
Controlled structured entities	-	-	-	-	-	385,486	-	-	-	385,486
Unquoted corporate debt securities	108,173	313,898	-	-	655,759	-	43,782	-	-	1,121,612
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	55,404	2	-	46,227	-	-	-	-	101,633
Insurance receivables	-	-	-	-	15,592	-	-	-	-	15,592
Other receivables	-	-	-	-	12,808	-	1,150	-	-	13,958
Cash and bank balances	11,780	56	-	-	121	-	23	-	-	11,980
	<u>173,006</u>	<u>406,722</u>	<u>2</u>	<u>-</u>	<u>1,396,014</u>	<u>477,750</u>	<u>460,662</u>	<u>-</u>	<u>-</u>	<u>2,914,156</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

33 **FINANCIAL RISKS (CONTINUED)**

(b) **Liquidity risk**

Liquidity risk is the risk where the Group and the Company are unable to meet their obligations at reasonable cost or at any time. The Group's and the Company's investment department 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 Group and the Company has a strong liquidity position and seek to maintain sufficient financial resources to meet their 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 Group's and the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities, where the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance contract liabilities.

The investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders' account in the insurance contract liabilities. Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column. Repayments which are subject to notice are treated as if such notices were given immediately.

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33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Group

<u>2021</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 funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	131,740	123,732	-	-	-	-	-	8,034	131,766
Loans	26,991	26,991	-	-	-	-	-	-	26,991
<u>Financial assets at FVTPL - designated upon initial recognition</u>									
Malaysian Government Securities	682,214	29,927	55,480	96,744	477,366	402,363	-	4,006	1,065,886
Cagamas bonds	5,911	325	650	650	5,523	-	-	-	7,148
Quoted equity securities	188,498	-	-	-	-	-	117,115	71,327	188,442
Unit trust funds	500,411	-	-	-	-	-	-	500,411	500,411
Structured product	51,490	-	-	-	-	-	51,490	-	51,490
Unquoted corporate debt securities	1,490,693	116,015	275,102	273,730	868,530	506,751	-	40,339	2,080,467
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	124,592	32,822	20,159	16,932	57,386	39,107	-	-	166,406
Insurance receivables	13,778	13,778	-	-	-	-	-	-	13,778
Other receivables	22,933	21,993	-	-	-	-	-	940	22,933
Cash and bank balances	12,493	-	-	-	-	-	12,473	20	12,493
<b>Total assets</b>	<b>3,251,918</b>	<b>365,583</b>	<b>351,391</b>	<b>388,056</b>	<b>1,408,805</b>	<b>948,221</b>	<b>181,252</b>	<b>625,077</b>	<b>4,268,385</b>

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33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</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 funds</u> RM'000	<u>Total</u> RM'000
<u>2021</u> (continued)									
Insurance contract liabilities	2,546,173	867,275	164,232	111,964	690,073	632,301	-	574,174	3,040,019
Insurance claims liabilities	55,918	55,918	-	-	-	-	-	-	55,918
Insurance payables	13,758	13,758	-	-	-	-	-	-	13,758
Lease liabilities	9,964	3,826	6,138	-	-	-	-	-	9,964
Other financial liabilities	2,755	2,755	-	-	-	-	-	-	2,755
Other payables	78,396	77,299	-	-	-	-	-	1,097	78,396
<b>Total liabilities</b>	<b>2,706,964</b>	<b>1,020,831</b>	<b>170,370</b>	<b>111,964</b>	<b>690,073</b>	<b>632,301</b>	<b>-</b>	<b>575,271</b>	<b>3,200,810</b>



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33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</u>	<u>Carrying</u>	<u>Up to a</u>	<u>1 - 3</u>	<u>3 - 5</u>	<u>5 - 15</u>	<u>Over 15</u>	<u>No maturity</u>	<u>Investment-</u>	<u>Total</u>
<u>2020</u>	<u>value</u>	<u>year</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>date</u>	<u>linked funds</u>	<u>Total</u>
<u>LAR</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed and call deposits	98,422	93,104	-	-	-	-	-	5,341	98,445
Loans	22,563	22,563	-	-	-	-	-	-	22,563
<u>Financial assets at FVTPL</u>									
<u>- designated upon initial recognition</u>									
Malaysian Government Securities	726,245	28,179	54,538	69,645	522,205	383,713	-	1,414	1,059,694
Cagamas bonds	6,339	325	650	650	5,848	-	-	-	7,473
Quoted equity securities	159,039	155	-	-	-	-	91,794	66,949	158,898
Unit trust funds	342,003	-	-	-	-	-	-	342,003	342,003
Unquoted corporate debt securities	1,416,281	93,381	199,402	237,189	855,118	432,890	-	43,782	1,861,762
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	101,633	25,774	16,425	13,317	43,169	28,356	-	-	127,041
Insurance receivables	15,592	15,592	-	-	-	-	-	-	15,592
Other receivables	13,958	12,808	-	-	-	-	-	1,150	13,958
Cash and bank balances	11,990	-	-	-	-	-	11,967	23	11,990
<b>Total assets</b>	<b>2,914,239</b>	<b>291,881</b>	<b>271,015</b>	<b>320,801</b>	<b>1,426,340</b>	<b>844,959</b>	<b>103,935</b>	<b>460,662</b>	<b>3,719,593</b>

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33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>Group</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 funds</u> RM'000	<u>Total</u> RM'000
<u>2020</u> (continued)									
Insurance contract liabilities	2,303,544	713,937	153,036	124,582	680,805	664,288	-	411,897	2,748,545
Insurance claims liabilities	41,463	41,463	-	-	-	-	-	-	41,463
Insurance payables	21,998	21,998	-	-	-	-	-	-	21,998
Lease liabilities	9,508	2,793	6,715	-	-	-	-	-	9,508
Other financial liabilities	5,987	5,987	-	-	-	-	-	-	5,987
Other payables	65,489	64,791	-	-	-	-	-	698	65,489
<b>Total liabilities</b>	<b>2,447,989</b>	<b>850,969</b>	<b>159,751</b>	<b>124,582</b>	<b>680,805</b>	<b>664,288</b>	<b>-</b>	<b>412,595</b>	<b>2,892,990</b>

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33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

<u>2021</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 funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	98,779	90,771	-	-	-	-	-	8,034	98,805
Loans	26,991	26,991	-	-	-	-	-	-	26,991
<u>Financial assets at FVTPL - designated upon initial recognition</u>									
Malaysian Government Securities	620,218	29,927	55,480	61,040	451,074	402,363	-	4,006	1,003,890
Cagamas bonds	5,911	325	650	650	5,523	-	-	-	7,148
Quoted equity securities	188,498	-	-	-	-	-	117,115	71,327	188,442
Unit trust funds	500,411	-	-	-	-	-	-	500,411	500,411
Structured product	51,490	-	-	-	-	-	51,490	-	51,490
Controlled structured entities	378,408	-	-	-	-	-	378,408	-	378,408
Unquoted corporate debt securities	1,207,165	62,385	225,489	161,591	820,469	486,665	-	40,339	1,796,938
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	124,592	32,822	20,159	16,932	57,386	39,107	-	-	166,406
Insurance receivables	13,778	13,778	-	-	-	-	-	-	13,778
Other receivables	22,933	21,993	-	-	-	-	-	940	22,933
Cash and bank balances	12,483	-	-	-	-	-	12,463	20	12,483
<b>Total assets</b>	<b>3,251,831</b>	<b>278,992</b>	<b>301,778</b>	<b>240,213</b>	<b>1,334,452</b>	<b>928,135</b>	<b>559,650</b>	<b>625,077</b>	<b>4,268,297</b>

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33 FINANCIAL RISKS (CONTINUED)

(b) 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 funds</u> RM'000	<u>Total</u> RM'000
<u>2021</u> (continued)									
Insurance contract liabilities	2,546,173	867,275	164,232	111,964	690,073	632,301	-	574,174	3,040,019
Insurance claims liabilities	55,918	55,918	-	-	-	-	-	-	55,918
Insurance payables	13,758	13,758	-	-	-	-	-	-	13,758
Lease liabilities	9,964	3,826	6,138	-	-	-	-	-	9,964
Other financial liabilities	2,755	2,755	-	-	-	-	-	-	2,755
Other payables	78,309	77,212	-	-	-	-	-	1,097	78,309
<b>Total liabilities</b>	<b>2,706,877</b>	<b>1,020,744</b>	<b>170,370</b>	<b>111,964</b>	<b>690,073</b>	<b>632,301</b>	<b>-</b>	<b>575,271</b>	<b>3,200,723</b>

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33 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company

<u>2020</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 funds</u> RM'000	<u>Total</u> RM'000
<u>LAR</u>									
Fixed and call deposits	89,419	84,101	-	-	-	-	-	5,341	89,442
Loans	22,563	22,563	-	-	-	-	-	-	22,563
<u>Financial assets at FVTPL - designated upon initial recognition</u>									
Malaysian Government Securities	644,358	28,179	54,538	58,703	473,352	361,621	-	1,414	977,807
Cagamas bonds	6,339	325	650	650	5,848	-	-	-	7,473
Quoted equity securities	159,039	155	-	-	-	-	91,794	66,949	158,898
Unit trust funds	342,003	-	-	-	-	-	-	342,003	342,003
Controlled structured entities	385,486	-	-	-	-	-	385,486	-	385,486
Unquoted corporate debt securities	1,121,612	88,298	149,895	195,134	681,073	408,910	-	43,782	1,567,092
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	101,633	25,774	16,425	13,317	43,169	28,356	-	-	127,041
Insurance receivables	15,592	15,592	-	-	-	-	-	-	15,592
Other receivables	13,958	12,808	-	-	-	-	-	1,150	13,958
Cash and bank balances	11,980	-	-	-	-	-	11,957	23	11,980
<b>Total assets</b>	<b>2,914,156</b>	<b>277,795</b>	<b>221,508</b>	<b>267,804</b>	<b>1,203,442</b>	<b>798,887</b>	<b>489,411</b>	<b>460,662</b>	<b>3,719,509</b>

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33 FINANCIAL RISKS (CONTINUED)

(b) 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 funds</u> RM'000	<u>Total</u> RM'000
<u>2020</u> (continued)									
Insurance contract liabilities	2,303,544	713,937	153,036	124,582	680,805	664,288	-	411,897	2,748,545
Insurance claims liabilities	41,463	41,463	-	-	-	-	-	-	41,463
Insurance payables	21,998	21,998	-	-	-	-	-	-	21,998
Lease liabilities	9,508	2,793	6,715	-	-	-	-	-	9,508
Other financial liabilities	5,987	5,987	-	-	-	-	-	-	5,987
Other payables	65,406	64,708	-	-	-	-	-	698	65,406
<b>Total liabilities</b>	<b>2,447,906</b>	<b>850,886</b>	<b>159,751</b>	<b>124,582</b>	<b>680,805</b>	<b>664,288</b>	<b>-</b>	<b>412,595</b>	<b>2,892,907</b>

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33 **FINANCIAL RISKS (CONTINUED)**

(c) **Market risk**

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

The Group and the Company manage 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 Group's and the Company's appetite, the impact is monitored through economic capital measures.

Volatility in interest rate is the Group's and the Company's largest market risk exposure. The Group and the Company monitor 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) **Interest rate risk**

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

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

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

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33 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

<u>2021</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in interest rate</u>				
+ 100 basis points	<u>(128,154)</u>	<u>(128,154)</u>	<u>(127,643)</u>	<u>(127,643)</u>
- 100 basis points	<u>148,040</u>	<u>148,040</u>	<u>147,527</u>	<u>147,527</u>
<u>2020</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in interest rate</u>				
+ 100 basis points	<u>(121,582)</u>	<u>(121,582)</u>	<u>(120,981)</u>	<u>(120,981)</u>
- 100 basis points	<u>141,037</u>	<u>141,037</u>	<u>140,367</u>	<u>140,367</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.

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



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33 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after 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.

<u>2021</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in price</u>				
Market price + 20%	21,163	21,163	21,163	21,163
- 20%	(21,163)	(21,163)	(21,163)	(21,163)
<u>2020</u>	<u>Group</u>		<u>Company</u>	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in price</u>				
Market price + 20%	14,734	14,734	14,734	14,734
- 20%	(14,734)	(14,734)	(14,734)	(14,734)

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

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

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**34 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 Group and the Company have 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 Group's and the Company's Operational Risks, including processes for identifying, measuring, managing, monitoring and reporting these risks across the Group and the Company; and
- Establish standard tools and processes for managing Operational Risks within the Group and the Company.

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

**35 REGULATORY CAPITAL REQUIREMENTS**

The capital structure of the Company as at 31 December 2021, as prescribed under the RBC Framework is provided below:

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>				
Share capital (paid-up)	358,000	358,000	358,000	358,000
Retained earnings	98,361	68,823	98,361	68,823
Eligible contract liabilities	156,684	97,115	156,684	97,115
	<u>613,045</u>	<u>523,938</u>	<u>613,045</u>	<u>523,938</u>
Amounts deducted from capital	(16,632)	(12,799)	(16,632)	(12,799)
Total capital available	<u>596,413</u>	<u>511,139</u>	<u>596,413</u>	<u>511,139</u>

## SUN LIFE MALAYSIA ASSURANCE BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS

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## 36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS

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 Group's and 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:

<u>Fair value as at 31 December 2021</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial asset</u> RM'000	<u>Total*</u> RM'000
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	682,214	682,214
Cagamas bonds	-	5,911	5,911
Unquoted corporate debt securities	-	1,485,504	1,485,504
Unquoted corporate securities (perpetual instruments)	-	5,189	5,189
Quoted equity securities	-	188,498	188,498
Unquoted equity securities <sup>#</sup>	-	26,087	26,087
Unit trust funds	-	500,411	500,411
Structured product	-	51,490	51,490
Loans and receivables – Fixed and call deposits	131,740	-	131,740
Other receivables	22,933	-	22,933
Cash and bank balances	12,493	-	12,493
	<u>167,166</u>	<u>2,945,304</u>	<u>3,112,470</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	620,218	620,218
Cagamas bonds	-	5,911	5,911
Unquoted corporate debt securities	-	1,207,165	1,207,165
Quoted equity securities	-	188,498	188,498
Unquoted equity securities <sup>#</sup>	-	26,087	26,087
Unit trust funds	-	500,411	500,411
Structured product	-	51,490	51,490
Controlled structured entities	-	378,408	378,408
Loans and receivables – Fixed and call deposits	98,779	-	98,779
Other receivables	22,933	-	22,933
Cash and bank balances	12,483	-	12,483
	<u>134,195</u>	<u>2,978,188</u>	<u>3,112,383</u>

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

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

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36 **ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)**

<u>Fair value as at 31 December 2020</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial asset</u> RM'000	<u>Total*</u> RM'000
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	726,245	726,245
Cagamas bonds	-	6,339	6,339
Unquoted corporate debt securities	-	1,410,891	1,410,891
Unquoted corporate securities (perpetual instruments)	-	5,390	5,390
Quoted equity securities	-	159,039	159,039
Unquoted equity securities <sup>#</sup>	-	22,536	22,536
Unit trust funds	-	342,003	342,003
Loans and receivables – Fixed and call deposits	98,422	-	98,422
Other receivables	13,958	-	13,958
Cash and bank balances	11,990	-	11,990
	<u>124,370</u>	<u>2,672,443</u>	<u>2,796,813</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	644,358	644,358
Cagamas bonds	-	6,339	6,339
Unquoted corporate debt securities	-	1,121,612	1,121,612
Quoted equity securities	-	159,039	159,039
Unquoted equity securities <sup>#</sup>	-	22,536	22,536
Unit trust funds	-	342,003	342,003
Controlled structured entities	-	385,486	385,486
Loans and receivables – Fixed and call deposits	89,419	-	89,419
Other receivables	13,958	-	13,958
Cash and bank balances	11,980	-	11,980
	<u>115,357</u>	<u>2,681,373</u>	<u>2,796,730</u>

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

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

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36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS  
(CONTINUED)

<u>31 December 2021</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial assets</u> RM'000	<u>Total</u> RM'000
<u>Changes in fair value during the year*</u>			
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	(42,781)	(42,781)
Cagamas bonds	-	(429)	(429)
Unquoted corporate debt securities	-	(74,919)	(74,919)
Unquoted corporate debt securities (perpetual instruments)	-	(201)	(201)
Quoted equity securities	-	5,943	5,943
Unquoted equity securities <sup>#</sup>	-	3,551	3,551
Unit trust funds	-	(8,643)	(8,643)
Structured product	-	1,490	1,490
	-	(115,989)	(115,989)
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	(38,936)	(38,936)
Cagamas bonds	-	(429)	(429)
Unquoted corporate debt securities	-	(57,357)	(57,357)
Quoted equity securities	-	5,943	5,943
Unquoted equity securities <sup>#</sup>	-	3,551	3,551
Unit trust funds	-	(8,643)	(8,643)
Structured product	-	1,490	1,490
Controlled structured entities	-	(24,472)	(24,472)
	-	(118,853)	(118,853)

\* The changes in fair value during the year other than for unquoted equity securities have been included in Note 21.

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

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36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS  
(CONTINUED)

<u>31 December 2020</u>	<u>Financial assets with SPPI cash flows</u> RM'000	<u>All other financial assets</u> RM'000	<u>Total</u> RM'000
<u>Changes in fair value during the year*</u>			
<u>Group</u>			
Financial assets			
Malaysian Government Securities	-	21,526	21,526
Cagamas bonds	-	187	187
Unquoted corporate debt securities	-	20,483	20,483
Unquoted corporate debt securities (perpetual instruments)	-	13	13
Quoted equity securities	-	6,913	6,913
Unquoted equity securities#	-	2,517	2,517
Unit trust funds	-	38,971	38,971
	<u>-</u>	<u>90,610</u>	<u>90,610</u>
<u>Company</u>			
Financial assets			
Malaysian Government Securities	-	20,243	20,243
Cagamas bonds	-	187	187
Unquoted corporate debt securities	-	21,997	21,997
Quoted equity securities	-	6,913	6,913
Unquoted equity securities#	-	2,517	2,517
Unit trust funds	-	38,971	38,971
Controlled structured entities	-	1,919	1,919
	<u>-</u>	<u>92,747</u>	<u>92,747</u>

\* The changes in fair value during the year other than for unquoted equity securities have been included in Note 21.

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

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36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS  
(CONTINUED)

Financial assets with SPPI cash flows\*

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

	<u>AAA</u>	<u>AA</u>	<u>Non-rated</u>	<u>Investment-linked funds</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2021</u>					
<u>Group</u>					
Loans and receivables – Fixed and					
Call deposits	87,224	28,160	8,322	8,034	131,740
Other receivables	-	-	21,993	940	22,933
Cash and bank balances	12,442	31	-	20	12,493
	<u>99,666</u>	<u>28,191</u>	<u>30,315</u>	<u>8,994</u>	<u>167,166</u>
<u>Company</u>					
Loans and receivables	54,263	28,160	8,322	8,034	98,779
Other receivables	-	-	21,993	940	22,933
Cash and bank balances	12,432	31	-	20	12,483
	<u>66,695</u>	<u>28,191</u>	<u>30,315</u>	<u>8,994</u>	<u>134,195</u>
<u>31 December 2020</u>					
<u>Group</u>					
Loans and receivables – Fixed and					
Call deposits	46,714	37,364	9,003	5,341	98,422
Other receivables	-	-	12,808	1,150	13,958
Cash and bank balances	11,790	56	121	23	11,990
	<u>58,504</u>	<u>37,420</u>	<u>21,932</u>	<u>6,514</u>	<u>124,370</u>
<u>Company</u>					
Loans and receivables	46,714	37,364	-	5,341	89,419
Other receivables	-	-	12,808	1,150	13,958
Cash and bank balances	11,780	56	121	23	11,980
	<u>58,494</u>	<u>37,420</u>	<u>12,929</u>	<u>6,514</u>	<u>115,357</u>

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

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37 **INSURANCE FUNDS**

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

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

Statement of Financial Position by Funds as at 31 December 2021

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
<u>Assets</u>								
Property and equipment	-	-	54,577	54,023	-	-	54,577	54,023
Intangible assets	-	-	16,632	12,799	-	-	16,632	12,799
Right-of-use assets	-	-	9,641	9,238	-	-	9,641	9,238
Financial assets	393,792	419,546	2,569,332	2,273,351	(43,733)	(42,816)	2,919,391	2,650,081
Loans and receivables	34,009	12,474	124,722	108,511	-	-	158,731	120,985
Reinsurance assets	-	-	124,592	101,633	-	-	124,592	101,633
Insurance receivables	-	-	13,778	15,592	-	-	13,778	15,592
Other receivables	196,776	100,454	22,378	13,784	(196,221)	(100,280)	22,933	13,958
Current tax assets	-	-	-	7,024	-	-	-	7,024
Cash and bank balances	21	20	12,472	11,970	-	-	12,493	11,990
Total assets	624,598	532,494	2,948,124	2,607,925	(239,954)	(143,096)	3,332,768	2,997,323



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37 **INSURANCE FUNDS (CONTINUED)**

Statement of Financial Position by Funds as at 31 December 2021 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	98,361	68,823	-	-	-	-	98,361	68,823
Reserves	126,914	77,692	-	-	-	-	126,914	77,692
<b>Total equity</b>	<b>583,275</b>	<b>504,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>583,275</b>	<b>504,515</b>
<u>Liabilities</u>								
Insurance contract liabilities	-	-	2,589,906	2,346,360	(43,733)	(42,816)	2,546,173	2,303,544
Insurance claims liabilities	-	-	55,918	41,463	-	-	55,918	41,463
Insurance payables	495	-	13,263	21,998	-	-	13,758	21,998
Lease liabilities	-	-	9,964	9,508	-	-	9,964	9,508
Other financial liabilities	128	-	2,627	5,987	-	-	2,755	5,987
Other payables	1,034	536	273,583	165,233	(196,221)	(100,280)	78,396	65,489
Current tax liabilities	7,600	-	(6,389)	-	-	-	1,211	-
Deferred tax liabilities	32,066	27,443	9,252	17,376	-	-	41,318	44,819
<b>Total liabilities</b>	<b>41,323</b>	<b>27,979</b>	<b>2,948,124</b>	<b>2,607,925</b>	<b>(239,954)</b>	<b>(143,096)</b>	<b>2,749,493</b>	<b>2,492,808</b>
<b>Total equity, policyholders' funds and liabilities</b>	<b>624,598</b>	<b>532,494</b>	<b>2,948,124</b>	<b>2,607,925</b>	<b>(239,954)</b>	<b>(143,096)</b>	<b>3,332,768</b>	<b>2,997,323</b>

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37 **INSURANCE FUNDS (CONTINUED)**

Statement of Financial Position by Funds as at 31 December 2021 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
<u>Assets</u>								
Property and equipment	-	-	54,577	54,023	-	-	54,577	54,023
Intangible assets	-	-	16,632	12,799	-	-	16,632	12,799
Right-of-use assets	-	-	9,641	9,238	-	-	9,641	9,238
Financial assets	426,676	428,476	2,569,332	2,273,351	(43,733)	(42,816)	2,952,275	2,659,011
Loans and receivables	1,048	3,471	124,722	108,511	-	-	125,770	111,982
Reinsurance assets	-	-	124,592	101,633	-	-	124,592	101,633
Insurance receivables	-	-	13,778	15,592	-	-	13,778	15,592
Other receivables	196,776	100,454	22,378	13,784	(196,221)	(100,280)	22,933	13,958
Current tax assets	-	-	-	7,024	-	-	-	7,024
Cash and bank balances	11	10	12,472	11,970	-	-	12,483	11,980
<b>Total assets</b>	<b>624,511</b>	<b>532,411</b>	<b>2,948,124</b>	<b>2,607,925</b>	<b>(239,954)</b>	<b>(143,096)</b>	<b>3,332,681</b>	<b>2,997,240</b>

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37 **INSURANCE FUNDS (CONTINUED)**

Statement of Financial Position by Funds as at 31 December 2021 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	98,361	68,823	-	-	-	-	98,361	68,823
Reserves	126,914	77,692	-	-	-	-	126,914	77,692
<b>Total equity</b>	<b>583,275</b>	<b>504,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>583,275</b>	<b>504,515</b>
<u>Liabilities</u>								
Insurance contract liabilities	-	-	2,589,906	2,346,360	(43,733)	(42,816)	2,546,173	2,303,544
Insurance claims liabilities	-	-	55,918	41,463	-	-	55,918	41,463
Insurance payables	495	-	13,263	21,998	-	-	13,758	21,998
Lease liabilities	-	-	9,964	9,508	-	-	9,964	9,508
Other financial liabilities	128	-	2,627	5,987	-	-	2,755	5,987
Other payables	947	453	273,583	165,233	(196,221)	(100,280)	78,309	65,406
Current tax liabilities	7,600	-	(6,389)	-	-	-	1,211	-
Deferred tax liabilities	32,066	27,443	9,252	17,376	-	-	41,318	44,819
<b>Total liabilities</b>	<b>41,236</b>	<b>27,896</b>	<b>2,948,124</b>	<b>2,607,925</b>	<b>(239,954)</b>	<b>(143,096)</b>	<b>2,749,406</b>	<b>2,492,725</b>
<b>Total equity, policyholders' funds and liabilities</b>	<b>624,511</b>	<b>532,411</b>	<b>2,948,124</b>	<b>2,607,925</b>	<b>(239,954)</b>	<b>(143,096)</b>	<b>3,332,681</b>	<b>2,997,240</b>

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37 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2021

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Group</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross premiums	-	-	962,335	801,671	-	-	962,335	801,671
Premiums ceded to reinsurers	-	-	(69,185)	(69,348)	-	-	(69,185)	(69,348)
Net premium	-	-	893,150	732,323	-	-	893,150	732,323
Investment income	15,954	16,841	98,472	86,778	-	-	114,426	103,619
Net fair value gains	-	9,483	-	99,036	-	(1,312)	-	107,207
Other operating income	-	-	12,542	8,093	-	-	12,542	8,093
Other income	15,954	26,324	111,014	193,907	-	(1,312)	126,968	218,919
Gross benefits and claims paid	(507)	-	(440,203)	(323,863)	-	-	(440,710)	(323,863)
Claims ceded to reinsurers	-	-	62,583	48,559	-	-	62,583	48,559
Gross change in contract liabilities	-	-	(243,546)	(416,233)	917	1,312	(242,629)	(414,921)
Change in contract liabilities ceded to reinsurers	-	-	17,800	(38,016)	-	-	17,800	(38,016)
Net claims	(507)	-	(603,366)	(729,553)	917	1,312	(602,956)	(728,241)

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37 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2021 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Group</b>								
Net realised losses	-	-	(21)	(5)	-	-	(21)	(5)
Net fair value losses	(20,554)	-	(84,980)	-	(917)	-	(106,451)	-
Commission expenses	(815)	-	(77,424)	(72,603)	-	-	(78,239)	(72,603)
Management expenses	(1,816)	(1,187)	(137,139)	(139,572)	-	-	(138,955)	(140,759)
Other operating expenses	(937)	(83)	(118)	(139)	-	-	(1,055)	(222)
Investment expenses	(33)	-	(1,856)	(2,127)	-	-	(1,889)	(2,127)
Finance cost	-	-	(344)	(404)	-	-	(344)	(404)
Other expenses	(24,155)	(1,270)	(301,882)	(214,850)	(917)	-	(326,954)	(216,120)
(Loss)/profit before taxation	(8,708)	25,054	98,916	(18,173)	-	-	90,208	6,881
Tax credit/(expense) attributable to policyholders and unitholders	-	-	653	(14,494)	-	-	653	(14,494)
Transfer from/(to) life fund	99,569	(32,667)	(99,569)	32,667	-	-	-	-
Profit/(loss) before taxation attributable to Shareholders	90,861	(7,613)	-	-	-	-	90,861	(7,613)
Taxation	(12,101)	8,440	653	(14,494)	-	-	(11,448)	(6,054)
Tax (credit)/expense attributable to Policyholders and unitholders	-	-	(653)	14,494	-	-	(653)	14,494
Tax (expense)/credit attributable to Shareholders	(12,101)	8,440	-	-	-	-	(12,101)	8,440
Net profit for the financial year	78,760	827	-	-	-	-	78,760	827

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

37 **INSURANCE FUNDS (CONTINUED)**

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2021 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Company</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross premiums	-	-	962,335	801,671	-	-	962,335	801,671
Premiums ceded to reinsurers	-	-	(69,185)	(69,348)	-	-	(69,185)	(69,348)
Net premiums	-	-	893,150	732,323	-	-	893,150	732,323
Investment income	17,536	21,598	98,472	86,778	-	-	116,008	108,376
Net fair value gains	-	3,858	-	99,036	-	(1,312)	-	101,582
Other operating income	-	-	12,542	8,093	-	-	12,542	8,093
Other income	17,536	25,456	111,014	193,907	-	(1,312)	128,550	218,051
Gross benefits and claims paid	(507)	-	(440,203)	(323,863)	-	-	(440,710)	(323,863)
Claims ceded to reinsurers	-	-	62,583	48,559	-	-	62,583	48,559
Gross change in contract liabilities	-	-	(243,546)	(416,233)	917	1,312	(242,629)	(414,921)
Change in contract liabilities ceded To reinsurers	-	-	17,800	(38,016)	-	-	17,800	(38,016)
Net claims	(507)	-	(603,366)	(729,553)	917	1,312	(602,956)	(728,241)

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

37 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2021 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Company</u>								
Net realised losses	-	-	(21)	(5)	-	-	(21)	(5)
Net fair value losses	(23,477)	-	(84,980)	-	(917)	-	(109,374)	-
Commission expenses	(815)	-	(77,424)	(72,603)	-	-	(78,239)	(72,603)
Management expenses	(475)	(319)	(137,139)	(139,572)	-	-	(137,614)	(139,891)
Other operating expenses	(937)	(83)	(118)	(139)	-	-	(1,055)	(222)
Investment expenses	(33)	-	(1,856)	(2,127)	-	-	(1,889)	(2,127)
Finance cost	-	-	(344)	(404)	-	-	(344)	(404)
Other expenses	(25,737)	(402)	(301,882)	(214,850)	(917)	-	(328,536)	(215,252)
(Loss)/profit before taxation	(8,708)	25,054	98,916	(18,173)	-	-	90,208	6,881
Tax credit/(expense) attributable to policyholders and unitholders	-	-	653	(14,494)	-	-	653	(14,494)
Transfer from/(to) life fund	99,569	(32,667)	(99,569)	32,667	-	-	-	-
Profit/(loss) before taxation attributable to Shareholders	90,861	(7,613)	-	-	-	-	90,861	(7,613)
Taxation	(12,101)	8,440	653	(14,494)	-	-	(11,448)	(6,054)
Tax (credit)/expense attributable to Policyholders and unitholders	-	-	(653)	14,494	-	-	(653)	14,494
Tax (expense)/credit attributable to Shareholders	(12,101)	8,440	-	-	-	-	(12,101)	8,440
Net profit for the financial year	78,760	827	-	-	-	-	78,760	827

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

37 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2021

<u>Group</u>	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:						
Operating activities	1	60,005	20,544	8,695	20,545	68,700
Investing activities	-	-	(17,101)	(9,929)	(17,101)	(9,929)
Financing activities	-	(60,000)	(2,941)	(2,651)	(2,941)	(62,651)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents:						
Net increase/(decrease) in cash and cash equivalents	1	5	502	(3,885)	503	(3,880)
At beginning of the financial year	20	15	11,970	15,855	11,990	15,870
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At end of the financial year	<u>21</u>	<u>20</u>	<u>12,472</u>	<u>11,970</u>	<u>12,493</u>	<u>11,990</u>



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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

37 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2021

<u>Company</u>	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash flows from:						
Operating activities	1	60,000	20,544	8,695	20,545	68,695
Investing activities	-	-	(17,101)	(9,929)	(17,101)	(9,929)
Financing activities	-	(60,000)	(2,941)	(2,651)	(2,941)	(62,651)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents:						
Net increase/(decrease) in cash and cash equivalents	1	-	502	(3,885)	503	(3,885)
At beginning of the financial year	10	10	11,970	15,855	11,980	15,865
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At end of the financial year	<u>11</u>	<u>10</u>	<u>12,472</u>	<u>11,970</u>	<u>12,483</u>	<u>11,980</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38 INVESTMENT-LINKED FUNDS

(a)(i) Investment-linked funds' Statement of Financial Position as at 31 December 2021

	Group/Company	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Assets</u>		
Financial assets	616,083	454,148
Loans and receivables	8,034	5,341
Other receivables	940	1,319
Cash and bank balances	20	23
	<hr/>	<hr/>
Total assets	625,077	460,831
	<hr/>	<hr/>
<u>Liabilities</u>		
Other payables	1,097	867
Current tax liabilities	1,696	310
Deferred tax liabilities	4,377	4,941
	<hr/>	<hr/>
Total liabilities	7,170	6,118
	<hr/>	<hr/>
Net asset value	617,907	454,713
	<hr/> <hr/>	<hr/> <hr/>

(ii) Investment-linked funds' Statement of Comprehensive Income for the financial year ended 31 December 2021

	Group/Company	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Investment income	14,546	11,119
Net fair value gains	12,041	44,133
Other operating income	229	155
	<hr/>	<hr/>
Management expenses	26,816	55,407
Investment expenses	(1,546)	(1,406)
	<hr/>	<hr/>
Profit before taxation	24,955	53,398
Taxation	(1,132)	(3,692)
	<hr/>	<hr/>
Net profit for the financial year	23,823	49,706
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38 INVESTMENT-LINKED FUNDS (CONTINUED)

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

Statement of Financial Position

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Assets</u>		
Financial assets	27,343	25,856
Other receivables	278	279
Total assets	<u>27,621</u>	<u>26,135</u>
<u>Liabilities</u>		
Other payables	40	36
Current tax liabilities	53	33
Deferred tax liabilities	229	201
Total liabilities	<u>322</u>	<u>270</u>
Net asset value	<u>27,299</u>	<u>25,865</u>

Statement of Comprehensive Income

	<u>Group/Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Net fair value gains	1,014	764
Management expenses	(11)	(11)
Profit before taxation	<u>1,003</u>	<u>753</u>
Taxation	(81)	(61)
Net profit for the financial year	<u>922</u>	<u>692</u>