

Company No.

689263	M
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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

2889A8/nm

Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30.6.2018				Audited 31.12.2017			
		Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
ASSETS									
Property and equipment		585	-	-	585	266	-	-	266
Intangible assets		35,452	-	-	35,452	37,998	-	-	37,998
Available-for-sale financial assets	13	292,869	-	758,421	1,042,681	295,092	-	773,743	1,060,015
Fair value through profit or loss financial assets	13	11,952	-	93,224	105,176	11,741	-	99,457	111,198
Financing and receivables		42,313	-	140,334	182,647	33,061	-	83,378	116,439
Takaful receivables		-	-	25,078	25,078	-	-	30,476	30,476
Retakaful assets	14	-	-	97,866	97,866	-	-	87,260	87,260
Other receivables		66,187	-	1,223	1,938	73,851	-	1,194	3,073
Deferred tax assets		2,401	-	189	2,590	3,025	-	(864)	2,161
Cash and bank balances		6,767	-	16,125	22,892	7,040	-	11,924	18,964
Assets of a disposal group classified as held-for-sale	15	-	35,005	-	35,005	-	52,221	-	52,221
Total assets		458,526	35,005	1,132,460	1,551,910	462,074	52,221	1,086,568	1,520,071

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UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (CONTINUED)

	30.6.2018				Audited 31.12.2017			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
EQUITY AND LIABILITIES								
Share capital	200,000	-	-	200,000	200,000	-	-	200,000
Available-for-sale reserve	1,030	-	-	1,030	2,634	-	-	2,634
Retained earnings	208,050	-	-	208,050	175,291	-	-	175,291
Total equity	409,080	-	-	409,080	377,925	-	-	377,925
LIABILITIES								
Takaful contract liabilities	16	-	1,048,106	1,039,497	-	-	997,762	988,942
Takaful payables		-	10,039	10,039	-	-	21,434	21,434
Other payables		39,994	74,314	56,305	56,718	-	67,360	63,012
Expense liabilities		4,831	-	4,831	23,148	-	-	23,148
Current tax liabilities		4,621	1	4,622	4,283	-	12	4,295
Liabilities of a disposal group classified as held-for-sale	15	-	35,005	27,536	-	52,221	-	41,315
Total liabilities		49,446	1,132,460	1,142,830	84,149	52,221	1,086,568	1,142,146
TOTAL EQUITY AND LIABILITIES		458,526	1,132,460	1,551,910	462,074	52,221	1,086,568	1,520,071

Note:

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

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	6 months period ended 30.6.2018				6 months period ended 30.6.2017			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross earned contribution	-	-	244,744	244,744	-	-	236,852	236,852
Contribution ceded to retakaful operators	-	-	(34,959)	(34,959)	-	-	(25,693)	(25,693)
Net earned contribution	-	-	209,785	209,785	-	-	211,159	211,159
Wakalah income	99,734	-	-	-	98,850	-	-	-
Surplus sharing from Family Takaful funds	15,392	-	-	-	13,396	-	-	-
Investment income	8,161	-	20,894	27,878	7,356	-	18,731	25,013
Realised gains	-	-	-	-	-	-	686	686
Net fair value gains	-	-	-	-	-	-	5,563	5,563
Commission income	-	-	131	131	-	-	127	127
Other operating income	17,583	-	50	17,633	14,165	-	36	14,201
Total income	140,870	-	230,860	255,427	133,767	-	236,302	256,749

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	6 months period ended 30.6.2018				6 months period ended 30.6.2017			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross benefits and claims paid	-	-	(94,990)	(94,990)	-	-	(89,620)	(89,620)
Claims ceded to retakaful operators	-	-	36,015	36,015	-	-	28,821	28,821
Gross change in Takaful contract liabilities	-	-	(53,669)	(53,669)	-	-	(105,509)	(105,509)
Change in Takaful contract liabilities ceded to retakaful operators	-	-	10,607	10,607	-	-	45,238	45,238
	-	-	(102,037)	(102,037)	-	-	(121,070)	(121,070)
Surplus sharing with Takaful operator	-	-	(15,392)	-	-	-	(13,396)	-
Wakalah expenses	-	-	(99,734)	-	-	-	(98,850)	-
Realised losses	-	-	(2,062)	(2,062)	-	-	-	-
Net fair value losses	(1)	-	(9,259)	(9,260)	-	-	-	-
Commission expenses	(29,079)	-	-	(29,079)	(27,766)	-	-	(27,766)
Management expenses	(70,607)	-	-	(70,607)	(50,522)	-	-	(50,522)
Other operating expenses	(5,312)	-	(2,228)	(6,363)	(5,891)	-	(1,853)	(6,670)
	(104,999)	-	(128,675)	(117,371)	(84,179)	-	(114,099)	(84,958)
Total expenses	(104,999)	-	(230,712)	(219,408)	(84,179)	-	(235,169)	(206,028)

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	Note	6 months period ended 30.6.2018				6 months period ended 30.6.2017			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation		35,871	-	148	36,019	49,588	-	1,133	50,721
Tax expense attributable to participants		-	-	(148)	(148)	-	-	(1,133)	(1,133)
Profit before taxation attributable to Shareholders		35,871	-	-	35,871	49,588	-	-	49,588
Taxation	17	(6,650)	-	(148)	(6,798)	(5,788)	-	(1,133)	(6,921)
Tax expense attributable to participants		-	-	148	148	-	-	1,133	1,133
Tax expense attributable to Shareholders		(6,650)	-	-	(6,650)	(5,788)	-	-	(5,788)
Net profit for the financial period from continuing operations		29,221	-	-	29,221	43,800	-	-	43,800
Discontinued operations:									
Net profit for the financial period from discontinued operations	15	3,538	-	-	3,538	1,080	-	-	1,080
Net profit for the financial period		32,759	-	-	32,759	44,880	-	-	44,880
Basic earnings per share (sen)		-	-	-	32.76	-	-	-	44.88

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	6 months period ended 30.6.2018				6 months period ended 30.6.2017			
	Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive (loss)/income:								
Items that may be subsequently reclassified to profit or loss:								
Fair value change on available-for-sale financial assets:								
- Revaluation	(2,238)	-	(3,676)	(5,914)	2,801	-	431	3,232
- Transfer to profit or loss upon disposal	128	-	62	190	-	-	593	593
- Gross fair value changes	(2,110)	-	(3,614)	(5,724)	2,801	-	1,024	3,825
- Deferred taxation	506	-	290	796	(672)	-	(82)	(754)
- Net fair value changes	(1,604)	-	(3,324)	(4,928)	2,129	-	942	3,071
Changes in Takaful contract liabilities arising from unrealised net fair value changes	-	-	3,324	3,324	-	-	(942)	(942)
Other comprehensive (loss)/income for the financial period, net of tax	(1,604)	-	-	(1,604)	2,129	-	-	2,129
Comprising:								
- Continuing operations	(1,604)	-	-	(1,604)	2,129	-	-	2,129
- Discontinued operations	-	-	-	-	-	-	-	-
	(1,604)	-	-	(1,604)	2,129	-	-	2,129

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	<u>6 months period ended 30.6.2018</u>				<u>6 months period ended 30.6.2017</u>			
	<u>Share- holders' fund</u>	<u>General Takaful fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>Share- holders' fund</u>	<u>General Takaful fund</u>	<u>Family Takaful fund</u>	<u>Company</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the financial period	<u>31,155</u>	<u>-</u>	<u>-</u>	<u>31,155</u>	<u>47,009</u>	<u>-</u>	<u>-</u>	<u>47,009</u>
Comprising:								
- Continuing operations	27,617	-	-	27,617	45,929	-	-	45,929
- Discontinued operations	3,538	-	-	3,538	1,080	-	-	1,080
	<u>31,155</u>	<u>-</u>	<u>-</u>	<u>31,155</u>	<u>47,009</u>	<u>-</u>	<u>-</u>	<u>47,009</u>

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	Share capital RM'000	Share premium RM'000	Non-distributable Available- for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
As at 1 January 2018	200,000	-	2,634	175,291	377,925
Total comprehensive income for the financial period	-	-	(1,604)	32,759	31,155
As at 30 June 2018	200,000	-	1,030	208,050	409,080
As at 1 January 2017	100,010	99,990	717	101,526	302,243
Transition to no-par value regime on 31 January 2017 ¹	99,990	(99,990)	-	-	-
Total comprehensive income for the financial period	-	-	2,129	44,880	47,009
As at 30 June 2017	200,000	-	2,846	146,406	349,252

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
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UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	6 months period ended 30.6.2018 RM'000	6 months period ended 30.6.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period		
Continuing operations	29,221	43,800
Discontinued operations	3,538	1,080
	<u>32,759</u>	<u>44,880</u>
Adjustments for:		
Depreciation of property and equipment	-	3
Amortisation of intangible assets	1,898	6
Amortisation of premiums - net	142	142
Realised losses/(gains) on disposal of financial assets	2,263	(685)
Profit income	(27,009)	(25,122)
Dividend income	(1,670)	(910)
Net fair value losses/(gains)	9,260	(5,563)
Decrease in provision for expense liabilities	(18,317)	(13,292)
Allowance for impairment loss on Takaful receivables	9	(53)
(Decrease)/increase in General Takaful contract liabilities	(13,184)	3,014
Increase in Family Takaful contract liabilities	53,669	105,509
Taxation	6,267	6,770
	<u>46,087</u>	<u>114,699</u>
Profit from operations before changes in operating assets and liabilities	46,087	114,699
Proceeds from disposal and maturity of investments	167,500	116,011
Purchase of investments	(151,357)	(175,872)
Decrease in other receivables	1,132	6,010
Decrease/(increase) in Takaful receivables	7,659	(2,697)
Increase in financing and receivables	(63,595)	(35,168)
Increase in retakaful assets	(7,116)	(45,018)
Increase in other payables	1,642	4,872
Decrease in Takaful payables	(11,654)	(1,512)
	<u>(9,702)</u>	<u>(18,675)</u>
Income tax paid	(5,577)	(3,874)
Zakat paid	-	(115)
Profit income received	27,305	25,165
Dividend income received	1,670	910
	<u>13,696</u>	<u>3,411</u>
Net cash generated from operating activities	13,696	3,411

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UNAUDITED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	6 months period ended 30.6.2018 RM'000	6 months period ended 30.6.2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(376)	(529)
Purchase of intangible assets	(8,015)	-
Net cash used in investing activities	(8,391)	(529)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,305	2,882
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	21,488	23,743
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	26,793	26,625
Cash and cash equivalents comprise:		
Cash and bank balances		
- Continuing operations	22,892	23,613
- Discontinued operations	3,901	3,012
	26,793	26,625

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

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the nature of these activities during the six months period ended 30 June 2018 other than as disclosed in Note 15 to the financial statements.

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

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

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

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

2 BASIS OF PREPARATION

The unaudited interim financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, "Interim Financial Reporting" which do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2017.

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

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

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

The preparation of interim financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires Directors to exercise their judgment in the process of applying the 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.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

(i) MFRS 15 Revenue from contracts with customers

The adoption of these amendments is anticipated not to have any material impact to the Company's financial statements.

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Alternative measurement models are provided for the different insurance coverage:

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

4 SEASONALITY OF OPERATIONS

The business operations of the Company were not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2018.

5 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the prior financial year that have a material effect in the six months period ended 30 June 2018.

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

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence during the six months period ended 30 June 2018.

7 ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

There were no issues, repurchases and repayments of debts and equity securities during the six months period ended 30 June 2018.

8 DIVIDENDS PAID

No dividends have been paid or declared by the Company since the end of the previous financial year.

9 CONTINGENT LIABILITIES

There were no material contingent liabilities that have arisen during the six months period ended 30 June 2018.

10 SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant events and transactions that have not been reflected in the financial statements for the six months period ended 30 June 2018.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

11 SUBSEQUENT EVENTS

There were no material events after the interim period that have not been reflected in the financial statements for the six months period ended 30 June 2018.

12 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company during the six months period ended 30 June 2018.

13 FINANCIAL ASSETS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>30.6.2018</u>				
Government Investment Issues	147,980	97,756	245,736	12,158
Cagamas Sukuk	-	10,020	10,020	-
Unquoted Sukuk	136,280	650,645	786,925	6,613
Quoted equity securities	-	62,157	62,157	-
Unit trust funds	11,952	31,067	43,019	-
Investments in investment-linked funds	8,609	-	-	-
Total	<u>304,821</u>	<u>851,645</u>	<u>1,147,857</u>	<u>18,771</u>
<u>Audited</u>				
<u>31.12.2017</u>				
Government Investment Issues	149,098	129,759	278,857	12,239
Cagamas Sukuk	-	10,094	10,094	-
Unquoted Sukuk	137,174	633,890	771,064	16,665
Quoted equity securities	-	71,579	71,579	-
Unit trust funds	11,741	27,878	39,619	-
Investments in investment-linked funds	8,820	-	-	-
Total	<u>306,833</u>	<u>873,200</u>	<u>1,171,213</u>	<u>28,904</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

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

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>30.6.2018</u>				
AFS	292,869	758,421	1,042,681	18,771
FVTPL – designated upon initial Recognition	11,952	93,224	105,176	-
Total	<u>304,821</u>	<u>851,645</u>	<u>1,147,857</u>	<u>18,771</u>
<u>Audited 31.12.2017</u>				
AFS	295,092	773,743	1,060,015	28,904
FVTPL – designated upon initial recognition	11,741	99,457	111,198	-
Total	<u>306,833</u>	<u>873,200</u>	<u>1,171,213</u>	<u>28,904</u>

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

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>30.6.2018</u>				
AFS	275,903	731,656	1,007,559	7,606
FVTPL - designated upon initial recognition	-	-	-	-
Total	<u>275,903</u>	<u>731,656</u>	<u>1,007,559</u>	<u>7,606</u>
<u>Audited 31.12.2017</u>				
AFS	286,272	748,537	1,034,809	15,710
FVTPL - designated upon initial recognition	-	-	-	-
Total	<u>286,272</u>	<u>748,537</u>	<u>1,034,809</u>	<u>15,710</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(a) AFS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>30.6.2018</u>				
Government Investment Issues	147,980	97,756	245,736	12,158
Cagamas Sukuk	-	10,020	10,020	-
Unquoted Sukuk	136,280	650,645	786,925	6,613
Investments in investment-linked funds	8,609	-	-	-
Total	<u>292,869</u>	<u>758,421</u>	<u>1,042,681</u>	<u>18,771</u>
Audited				
<u>31.12.2017</u>				
Government Investment Issues	149,098	129,759	278,857	12,239
Cagamas Sukuk	-	10,094	10,094	-
Unquoted Sukuk	137,174	633,890	771,064	16,665
Investments in investment-linked funds	8,820	-	-	-
Total	<u>295,092</u>	<u>773,743</u>	<u>1,060,015</u>	<u>28,904</u>

(b) FVTPL – designated upon initial recognition

	Shareholders' fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000
<u>30.6.2018</u>			
Quoted equity securities	-	62,157	62,157
Unit trust funds	11,952	31,067	43,019
Total	<u>11,952</u>	<u>93,224</u>	<u>105,176</u>
Audited			
<u>31.12.2017</u>			
Quoted equity securities	-	71,579	71,579
Unit trust funds	11,741	27,878	39,619
Total	<u>11,741</u>	<u>99,457</u>	<u>111,198</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
1 January 2018	295,092	28,904	773,743	11,741	99,457	1,200,117
Purchases	-	-	114,446	212	36,699	151,357
Maturities	-	-	(5,066)	-	-	(5,066)
Disposals	-	(10,034)	(120,990)	-	(33,419)	(164,443)
Fair value gains recorded in:						
Profit or loss	-	-	-	(1)	(9,513)	(9,514)
Other comprehensive (loss)/income	(2,110)	51	(3,614)	-	-	(5,673)
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	211
Movement in accrued profit	(29)	(104)	(86)	-	-	(219)
Amortisation adjustments	(84)	(46)	(12)	-	-	(142)
Transfer to assets of a disposal group classified as held-for-sale (Note 15)	-	(18,771)	-	-	-	(18,771)
At 30 June 2018	<u>292,869</u>	<u>-</u>	<u>758,421</u>	<u>11,952</u>	<u>93,224</u>	<u>1,147,857</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy

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

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

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

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

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

There are no transfers between Level 1 and 2 during the six months period ended 30 June 2018.

The following table presents the Company's financial assets that are carried at fair value as at 30 June 2018:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>30.6.2018</u>			
<u>Continuing operations</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	147,980	147,980
- Unquoted Sukuk	-	136,280	136,280
- Investments in investment-linked funds	8,609	-	8,609
<u>FVTPL – designated upon initial recognition</u>			
- Unit trust funds	11,952	-	11,952
	<u>20,561</u>	<u>284,260</u>	<u>304,821</u>

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13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>30.6.2018</u> (continued)			
<u>Continuing operations</u> (continued)			
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	97,756	97,756
- Cagamas Sukuk	-	10,020	10,020
- Unquoted Sukuk	-	650,645	650,645
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	62,157	-	62,157
- Unit trust funds	31,067	-	31,067
	<u>93,224</u>	<u>758,421</u>	<u>851,645</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	245,736	245,736
- Cagamas Sukuk	-	10,020	10,020
- Unquoted Sukuk	-	786,925	786,925
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	62,157	-	62,157
- Unit trust funds	43,019	-	43,019
	<u>105,176</u>	<u>1,042,681</u>	<u>1,147,857</u>
<u>Discontinued operations</u>			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,158	12,158
- Unquoted Sukuk	-	6,613	6,613
	<u>-</u>	<u>18,771</u>	<u>18,771</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31.12.2017</u>			
<u>Continuing operations</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	149,098	149,098
- Unquoted Sukuk	-	137,174	137,174
- Investments in investment-linked funds	8,820	-	8,820
<u>FVTPL – designated upon initial recognition</u>			
- Unit trust funds	11,741	-	11,741
	<u>20,561</u>	<u>286,272</u>	<u>306,833</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	129,759	129,759
- Cagamas Sukuk	-	10,094	10,094
- Unquoted Sukuk	-	633,890	633,890
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	71,579	-	71,579
- Unit trust funds	27,878	-	27,878
	<u>99,457</u>	<u>773,743</u>	<u>873,200</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	278,857	278,857
- Cagamas Sukuk	-	10,094	10,094
- Unquoted Sukuk	-	771,064	771,064
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	71,579	-	71,579
- Unit trust funds	39,619	-	39,619
	<u>111,198</u>	<u>1,060,015</u>	<u>1,171,213</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31.12.2017</u> (continued)			
<u>Discontinued operations</u>			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,239	12,239
- Unquoted Sukuk	-	16,665	16,665
	<u>-</u>	<u>28,904</u>	<u>28,904</u>
	<u>-</u>	<u>28,904</u>	<u>28,904</u>

14 RETAKAFUL ASSETS

	<u>Continuing operations</u>		<u>Discontinued operations</u>
	<u>Family Takaful fund</u> RM'000	<u>Company</u> RM'000	<u>General Takaful fund</u> RM'000
<u>30.06.2018</u>			
Retakaful of Takaful contracts			
- Takaful contract liabilities (Note 16)	97,866	97,866	3,598
	<u>97,866</u>	<u>97,866</u>	<u>3,598</u>
Receivable within 12 months	24,637	24,637	2,082
Receivable after 12 months	73,229	73,229	1,516
	<u>97,866</u>	<u>97,866</u>	<u>3,598</u>
<u>Audited</u> <u>31.12.2017</u>			
Retakaful of Takaful contracts			
- Takaful contract liabilities (Note 16)	87,260	87,260	7,088
	<u>87,260</u>	<u>87,260</u>	<u>7,088</u>
Receivable within 12 months	24,847	24,847	3,623
Receivable after 12 months	62,413	62,413	3,465
	<u>87,260</u>	<u>87,260</u>	<u>7,088</u>
	<u>87,260</u>	<u>87,260</u>	<u>7,088</u>

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NOTES TO THE FINANCIAL STATEMENTS
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15 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

The Islamic Financial Services Act 2013 (IFSA) requires all composite Takaful Operators to separate their composite licences into Family Takaful and General Takaful licences by 1 July 2018. In compliance with this Act, the Company has ceased to underwrite any new General Takaful business effective 1 July 2018, in line with its decision to relinquish its composite Takaful licence for a single Family Takaful licence.

Accordingly, the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of cash flows of the General Takaful Fund have been classified as discontinued operations.

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

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

	30.6.2018		Audited 31.12.2017	
	General Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Company RM'000
Available-for-sale financial assets (note 13)	18,771	18,771	28,904	28,904
Financing and receivables	7,702	7,702	10,391	10,391
Takaful receivables	803	803	3,073	3,073
Retakaful assets (note 14)	3,598	3,598	7,088	7,088
Other receivables	3	3	5	5
Deferred tax assets	227	227	236	236
Cash and bank balances	3,901	3,901	2,524	2,524
Total assets	35,005	35,005	52,221	52,221

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

	30.6.2018		Audited 31.12.2017	
	General Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Company RM'000
Takaful contract liabilities (note 16)	25,590	25,590	38,736	38,736
Takaful payables	1,911	1,911	2,170	2,170
Other payables	7,504	35	11,315	409
Total liabilities	35,005	27,536	52,221	41,315

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

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

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

(i) Statement of Comprehensive Income

	30.6.2018			30.6.2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution	-	-	17,926	-	-	24,747
Contribution ceded to retakaful operators	-	-	(3,710)	-	-	(2,849)
Net earned contribution	-	-	14,216	-	-	21,898
Wakalah income	9,456	9,456	-	14,738	14,738	-
Surplus sharing from General Takaful fund	3,713	3,713	-	4,227	4,227	-
Investment income	-	-	659	-	-	877
Other operating income	1,655	1,655	70	(107)	(107)	9
Total income	14,824	14,824	14,945	18,858	18,858	22,784

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

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

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

(i) Statement of Comprehensive Income (continued)

	30.6.2018			30.6.2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Gross benefits and claims paid	-	-	(4,200)	-	-	(2,938)
Claims ceded to retakaful operators	-	-	1,622	-	-	1,236
Gross change in Takaful contract liabilities	-	-	2,793	-	-	(2,357)
Change in Takaful contract liabilities ceded to retakaful operators	-	-	(2,324)	-	-	(137)
	-	-	(2,109)	-	-	(4,196)
Surplus sharing with Takaful operator	-	-	(3,713)	-	-	(4,227)
Wakalah expenses	-	-	(9,456)	-	-	(14,738)
Realised losses	-	-	(201)	-	-	(1)
Commission expenses	(6,174)	(6,174)	-	(8,495)	(8,495)	-
Management expenses	(5,109)	(5,109)	-	(9,000)	(9,000)	-
Other operating expenses	-	-	-	-	-	(56)
	(11,283)	(11,283)	(13,370)	(17,495)	(17,495)	(19,022)
Total expenses	(11,283)	(11,283)	(15,479)	(17,495)	(17,495)	(23,218)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

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

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

(i) Statement of Comprehensive Income (continued)

	30.6.2018			30.6.2017		
	Continuing operations		Discounted operations	Continuing operations		Discounted operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	3,541	3,541	(534)	1,363	1,363	(434)
Tax income attributable to participants	-	-	534	-	-	434
Profit before taxation attributable to Shareholders	3,541	3,541	-	1,363	1,363	-
Taxation	(3)	(3)	534	(283)	(283)	434
Tax income attributable to participants	-	-	(534)	-	-	(434)
Tax expense attributable to Shareholders	(3)	(3)	-	(283)	(283)	-
Net profit for the financial year	3,538	3,538	-	1,080	1,080	-

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

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

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

(i) Statement of Comprehensive Income (continued)

	30.6.2018			30.6.2017		
	Continuing operations		Discounted operations	Continuing operations		Discounted operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income:						
Items that may be subsequently reclassified to profit or loss:						
Fair value changes on available-for-sale financial assets:						
- Revaluation	-	-	103	-	-	136
- Transfer to profit or loss upon disposal	-	-	(52)	-	-	-
- Gross fair value changes	-	-	51	-	-	136
- Deferred taxation	-	-	(13)	-	-	(33)
- Net fair value changes	-	-	38	-	-	103

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

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

(i) Statement of Comprehensive Income (continued)

	30.6.2018			30.6.2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Changes in Takaful contract liabilities arising from unrealised net fair value changes	-	-	(38)	-	-	(103)
Other comprehensive income for the financial year, net of tax	-	-	-	-	-	-
Total comprehensive income for the financial year	3,538	3,538	-	1,080	1,080	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

16 TAKAFUL CONTRACT LIABILITIES

	30.6.2018			Audited 31.12.2017		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Family Takaful fund	Company	General Takaful fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Retakaful (note 14)	1,048,106	1,039,497	25,590	997,762	988,942	38,736
	(97,866)	(97,866)	(3,598)	(87,260)	(87,260)	(7,088)
Net	950,240	941,631	21,992	910,502	901,682	31,648
Current	135,235	135,235	13,576	164,734	164,734	23,196
Non-current	815,005	806,396	8,416	745,768	736,948	8,452
	950,240	941,631	21,992	910,502	901,682	31,648

(a) Family Takaful contract liabilities

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

	Continuing operations					
	30.6.2018			Audited 31.12.2017		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificate holders' liabilities	958,058	(82,992)	875,066	915,834	(73,774)	842,060
Net asset value attributable to certificate holders	29,548	-	29,548	26,225	-	26,225
Actuarial liabilities	987,606	(82,992)	904,614	942,059	(73,774)	868,285
Claims liabilities	26,209	(14,874)	11,335	23,805	(13,486)	10,319
Unallocated surplus	38,804	-	38,804	33,087	-	33,087
Available-for-sale fair value adjustment						
- gross	(4,906)	-	(4,906)	(1,292)	-	(1,292)
- deferred tax	393	-	393	103	-	103
- net	(4,513)	-	(4,513)	(1,189)	-	(1,189)
	1,048,106	(97,866)	950,240	997,762	(87,260)	910,502

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

16 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>30.6.2018</u>	<u>Continuing operations</u>		
	<u>Re- Gross</u> RM'000	<u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2018	997,762	(87,260)	910,502
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	13,099	(31,438)	(18,339)
Benefits	(75,807)	38,707	(37,100)
Investment returns	22,354	(2,473)	19,881
Others	(16,707)	666	(16,041)
Experience variance on inforce Takaful certificates	(2,844)	(13)	(2,857)
Reserve on new Takaful certificates	102,624	(15,102)	87,522
Miscellaneous	(495)	435	(60)
Movement in net asset value attributable to certificateholders	3,323	-	3,323
Movement in claims liabilities	2,404	(1,388)	1,016
Movement in unallocated surplus	5,717	-	5,717
Movement in AFS fair value adjustment	(3,324)	-	(3,324)
At 30 June 2018	<u>1,048,106</u>	<u>(97,866)</u>	<u>950,240</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

16 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

Audited 31.12.2017	Continuing operations		
	Gross RM'000	Re- takaful RM'000	Net RM'000
At 1 January 2017	834,531	(37,743)	796,788
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	34,345	(51,556)	(17,211)
Benefits	(111,420)	55,106	(56,314)
Investment returns	29,548	(956)	28,592
Others	(26,685)	(585)	(27,270)
Experience variance on inforce Takaful certificates	(1,017)	774	(243)
Reserve on new Takaful certificates	194,623	(12,750)	181,873
Miscellaneous	25,573	(34,599)	(9,026)
Movement in net asset value attributable to certificate holders	5,250	-	5,250
Movement in claims liabilities	6,513	(4,951)	1,562
Movement in unallocated surplus	7,021	-	7,021
Movement in AFS fair value adjustment	(520)	-	(520)
At 31 December 2017	<u>997,762</u>	<u>(87,260)</u>	<u>910,502</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

16 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

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

	30.6.2018			Discontinued operations Audited 31.12.2017		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Provision for claims reported by certificate holders	3,295	(1,513)	1,782	4,705	(2,040)	2,665
Provision for IBNR	6,107	(1,627)	4,480	11,203	(3,424)	7,779
Provision for outstanding claims (i)	9,402	(3,140)	6,262	15,908	(5,464)	10,444
Contribution liabilities (ii)	8,857	(458)	8,399	10,228	(1,624)	8,604
Unallocated surplus	7,342	-	7,342	12,649	-	12,649
Available-for-sale fair value adjustment						
- gross	(14)	-	(14)	(65)	-	(65)
- deferred tax	3	-	3	16	-	16
- net	(11)	-	(11)	(49)	-	(49)
	25,590	(3,598)	21,992	38,736	(7,088)	31,648

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

16 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

(i) Provision for outstanding claims

	30.6.2018			Discontinued operations Audited 31.12.2017		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January	15,908	(5,464)	10,444	23,779	(6,105)	17,674
Claims incurred in the current accident year	2,947	(877)	2,070	10,290	(3,347)	6,943
Other movements in claims incurred in prior accident years	(5,253)	1,579	(3,674)	(12,898)	1,937	(10,961)
Claims paid during the financial period/ year	(4,200)	1,622	(2,578)	(5,263)	2,051	(3,212)
At 30 June/ 31 December	<u>9,402</u>	<u>(3,140)</u>	<u>6,262</u>	<u>15,908</u>	<u>(5,464)</u>	<u>10,444</u>
(ii) Contribution liabilities						
At 1 January	10,228	(1,624)	8,604	8,757	(1,035)	7,722
Contribution written in the financial period/ year	16,555	(2,544)	14,011	48,250	(5,506)	42,744
Contribution earned during the financial period/year	(17,926)	3,710	(14,216)	(46,779)	4,917	(41,862)
At 30 June/ 31 December	<u>8,857</u>	<u>(458)</u>	<u>8,399</u>	<u>10,228</u>	<u>(1,624)</u>	<u>8,604</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

16 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Takaful contract liabilities at Company level

	30.6.2018			Continuing operations Audited 31.12.2017		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Family Takaful fund (note 16(a))	1,048,106	(97,866)	950,240	997,762	(87,260)	910,502
General Takaful fund (note 16(b))	-	-	-	-	-	-
	<u>1,048,106</u>	<u>(97,866)</u>	<u>950,240</u>	<u>997,762</u>	<u>(87,260)</u>	<u>910,502</u>
Elimination of Shareholders' fund fund investment in investment-linked funds	(8,609)	-	(8,609)	(8,820)	-	(8,820)
Total	<u><u>1,039,497</u></u>	<u><u>(97,866)</u></u>	<u><u>941,631</u></u>	<u><u>988,942</u></u>	<u><u>(87,260)</u></u>	<u><u>901,682</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

17 TAXATION

	30.6.2018				30.6.2017			
	Continuing operations			Discontinued operations	Continuing operations			Discontinued operations
	Share-holders' fund	Family Takaful fund	Company	General Takaful fund	Share-holders' fund	Family Takaful fund	Company	General Takaful fund
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tax expense on the profit for the financial period								
Income tax:								
Current financial period	5,792	910	6,702	(531)	5,642	688	6,330	(408)
Deferred tax:								
Relating to origination and reversal of temporary differences	858	(762)	96	(3)	146	445	591	(26)
	<u>6,650</u>	<u>148</u>	<u>6,798</u>	<u>(534)</u>	<u>5,788</u>	<u>1,133</u>	<u>6,921</u>	<u>(434)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

17 TAXATION (CONTINUED)

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

	<u>30.6.2018</u>	<u>Company</u> <u>30.6.2017</u>
	RM'000	RM'000
Profit before taxation attributable to Shareholders	35,871	49,588
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	8,609	11,901
Income not subject to tax	(27,914)	(26,923)
Expenses not deductible for tax purposes	25,955	20,810
Tax expense attributable to participants	148	1,133
Tax expense for the financial period	<u>6,798</u>	<u>6,921</u>

18 OPERATING LEASE COMMITMENTS

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

	<u>Shareholders' fund/</u> <u>Company</u>	<u>Shareholders' fund/</u> <u>Company</u>
	<u>30.6.2018</u>	<u>31.12.2017</u>
	RM'000	RM'000
Not later than 1 year	70	70
Later than 1 year and not later than 5 years	50	85
	<u>120</u>	<u>155</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

19 CAPITAL COMMITMENTS

	Shareholders' fund/ Company	
	<u>30.6.2018</u>	<u>31.12.2017</u>
	RM'000	RM'000
Approved and contracted for:		
Property and equipment	-	-
Approved but not contracted for:		
Property and equipment	66	119
	<u>66</u>	<u>119</u>

20 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2018, as prescribed under the Risk Based Capital Framework is provided below:

	<u>30.6.2018</u>	<u>Audited</u> <u>31.12.2017</u>
	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	200,000	200,000
Retained earnings	193,530	175,291
Eligible contract liabilities	61,849	23,961
	<u>455,379</u>	<u>399,252</u>
<u>Tier 2 Capital</u>		
Eligible reserves	(1,763)	2,165
Amounts deducted from capital	(38,354)	(41,083)
Total capital available	<u>415,262</u>	<u>360,334</u>

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NOTES TO THE FINANCIAL STATEMENTS

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21 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT

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

	Fair value as at 1 January 2018 RM'000	Fair value as at 30 June 2018 RM'000	Change in fair value ¹ RM'000	Result of the cash flows characteristics test
<u>Continuing operations</u>				
<u>Shareholders' fund</u>				
<u>FVOCI</u>				
- Government Investment Issues	149,098	147,980	(1,050)	SPPI
- Unquoted Sukuk	137,174	136,280	(848)	SPPI
<u>Mandatorily measured at FVTPL</u>				
- Unit trust funds	11,741	11,952	(1)	Non-SPPI
- Investments in investment-linked funds	8,820	8,609	(211)	Non-SPPI
	<u>306,833</u>	<u>304,821</u>	<u>(2,110)</u>	
<u>Family Takaful fund</u>				
<u>FVOCI</u>				
- Government Investment Issues	129,759	97,756	(304)	SPPI
- Cagamas Sukuk	10,094	10,020	(76)	SPPI
- Unquoted Sukuk	633,890	650,645	(3,234)	SPPI
<u>Designated at FVTPL</u>				
- Quoted equity securities	71,579	62,157	(7,648)	Non-SPPI
<u>Mandatorily measured at FVTPL</u>				
- Unit trust funds	27,878	31,067	(1,865)	Non-SPPI
	<u>873,200</u>	<u>851,645</u>	<u>(13,127)</u>	

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

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

	Fair value as at <u>1 January 2018</u>	Fair value as at <u>30 June 2018</u>	Change in fair value ¹	Result of the cash flows characteristics test
	RM'000	RM'000	RM'000	
<u>Continuing operations</u>				
<u>Company</u>				
<u>FVOCI</u>				
- Government Investment Issues	278,857	245,736	(1,354)	SPPI
- Cagamas Sukuk	10,094	10,020	(76)	SPPI
- Unquoted Sukuk	771,064	786,925	(4,082)	SPPI
<u>Designated at FVTPL</u>				
- Quoted equity securities	71,579	62,157	(7,648)	Non-SPPI
<u>Mandatorily measured at FVTPL</u>				
- Unit trust funds	39,619	43,019	(1,866)	Non-SPPI
	<u>1,171,213</u>	<u>1,147,857</u>	<u>(15,026)</u>	
<u>Discontinued operations</u>				
<u>General Takaful fund</u>				
<u>FVOCI</u>				
- Government Investment Issues	12,239	12,158	(37)	SPPI
- Unquoted Sukuk	16,665	6,613	88	SPPI
	<u>28,904</u>	<u>18,771</u>	<u>51</u>	

¹ Does not include purchases, disposals, maturities and realised gains/losses.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTINUED)

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

The following table shows the fair value of financial assets by credit quality:

	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>Non-rated</u> RM'000	<u>Total</u> RM'000
<u>Continuing operations</u>				
<u>Shareholders' fund</u>				
<u>FVOCI</u>				
- Government Investment Issues	-	-	147,980	147,980
- Unquoted Sukuk	20,197	10,117	105,966	136,280
	<u>20,197</u>	<u>10,117</u>	<u>253,946</u>	<u>284,260</u>
<u>Family Takaful fund</u>				
<u>FVOCI</u>				
- Government Investment Issues	-	-	97,756	97,756
- Cagamas Sukuk	10,020	-	-	10,020
- Unquoted Sukuk	158,135	213,991	278,519	650,645
	<u>168,155</u>	<u>213,991</u>	<u>376,275</u>	<u>758,421</u>
<u>Company</u>				
<u>FVOCI</u>				
- Government Investment Issues	-	-	245,736	245,736
- Cagamas Sukuk	10,020	-	-	10,020
- Unquoted Sukuk	178,332	224,108	384,485	786,925
	<u>188,352</u>	<u>224,108</u>	<u>630,221</u>	<u>1,042,681</u>
<u>Discontinued operations</u>				
<u>General Takaful fund</u>				
<u>FVOCI</u>				
- Government Investment Issues	-	-	12,158	12,158
- Unquoted Sukuk	-	6,613	-	6,613
	<u>-</u>	<u>6,613</u>	<u>12,158</u>	<u>18,771</u>