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SUN LIFE MALAYSIA ASSURANCE BERHAD  
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

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

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

|   | <u>Note</u> | <u>30.6.2016</u><br>RM'000 | <u>Audited</u><br><u>31.12.2015</u><br>RM'000 |
|---|-------------|----------------------------|---|
| <b>ASSETS</b>   |             |                            |   |
| Property and equipment  |             | 49,890                     | 50,258  |
| Financial assets  | 13          | 1,628,188                  | 1,690,021                                     |
| Loans and receivables   |             | 96,880                     | 100,324                                       |
| Reinsurance assets  | 14          | 127,228                    | 120,221                                       |
| Insurance receivables   |             | 6,282                      | 4,854   |
| Other receivables   |             | 29,536                     | 11,355  |
| Cash and bank balances  |             | 25,287                     | 14,691  |
| Current tax assets  |             | 3,452                      | -   |
| <b>TOTAL ASSETS</b>   |             | <u>1,966,743</u>           | <u>1,991,724</u>                              |
| <b>EQUITY, POLICYHOLDERS' FUNDS<br/>AND LIABILITIES</b>       |             |                            |   |
| Share capital   |             | 342,000                    | 342,000                                       |
| Share premiums  |             | 16,000                     | 16,000  |
| Retained earnings   |             | 37,540                     | 116,507                                       |
| Reserves  |             | 64,051                     | 45,243  |
| <b>Total equity</b>   |             | <u>459,591</u>             | <u>519,750</u>                                |
| Insurance contract liabilities                                | 15          | 1,410,509                  | 1,373,046                                     |
| Insurance claims liabilities                                  |             | 14,817                     | 14,542  |
| Insurance payables  |             | 13,502                     | 20,134  |
| Other financial liabilities                                   |             | 16,766                     | 8,321   |
| Other payables  |             | 30,703                     | 40,550  |
| Current tax liabilities                                       |             | -                          | 1,564   |
| Deferred tax liabilities                                      |             | 20,855                     | 13,817  |
| <b>Total liabilities</b>                                      |             | <u>1,507,152</u>           | <u>1,471,974</u>                              |
| <b>TOTAL EQUITY, POLICYHOLDERS' FUNDS<br/>AND LIABILITIES</b> |             | <u>1,966,743</u>           | <u>1,991,724</u>                              |

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

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

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

|  | 6 months<br>period ended<br><u>30.6.2016</u><br>RM'000 | 6 months<br>period ended<br><u>30.6.2015</u><br>RM'000 |
|--|--|--|
| Gross premiums   | 216,218  | 283,117  |
| Premiums ceded to reinsurers                                       | (34,287)   | (31,575)   |
| Net premiums   | <u>181,931</u>   | <u>251,542</u>   |
| Investment income  | 37,200   | 40,337   |
| Net fair value gains   | 22,549   | 11,307   |
| Other operating income   | 1,130  | 757  |
| Other income   | <u>60,879</u>  | <u>52,401</u>  |
| Gross benefits and claims paid                                     | (120,396)  | (122,835)  |
| Claims ceded to reinsurers   | 20,472   | 25,568   |
| Gross change in contract liabilities                               | (37,463)   | (86,623)   |
| Change in contract liabilities ceded to reinsurers                 | 10,668   | 9,081  |
| Net claims   | <u>(126,719)</u>                                       | <u>(174,809)</u>                                       |
| Commission expenses  | (22,784)   | (22,938)   |
| Management expenses  | (50,948)   | (43,551)   |
| Other operating expenses   | (227)  | (1,272)  |
| Investment expenses  | (950)  | (1,009)  |
| Other expenses   | <u>(74,909)</u>  | <u>(68,770)</u>  |
| Profit before taxation   | 41,182   | 60,364   |
| Tax expense attributable to policyholders and unitholders          | (3,885)  | 106  |
| Profit before taxation attributable to Shareholders                | <u>37,297</u>  | <u>60,470</u>  |
| Taxation   | <u>(11,341)</u>  | <u>(15,595)</u>  |
| Tax expense attributable to policyholders and unitholders          | 3,885  | (106)  |
| Tax expense attributable to Shareholders                           | <u>(7,456)</u>   | <u>(15,701)</u>  |
| Net profit and total comprehensive income for the financial period | <u><u>29,841</u></u>                                   | <u><u>44,769</u></u>                                   |
| Basic earnings per share (sen)                                     | <u><u>12.33</u></u>                                    | <u><u>18.50</u></u>                                    |

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**SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

|   | <u>Share<br/>capital</u><br>RM'000 | <u>Share<br/>premium</u><br>RM'000 | <u>Reserves*</u><br>RM'000 | <u>Retained<br/>earnings</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|------------------------------------|------------------------------------|----------------------------|--|------------------------|
| At 1 January 2016   | 342,000                            | 16,000                             | 45,243                     | 116,507                                | 519,750                |
| Dividends   | -                                  | -                                  | -                          | (90,000)                               | (90,000)               |
| Total comprehensive<br>income for the<br>financial period | -                                  | -                                  | 18,808                     | 11,033                                 | 29,841                 |
| At 30 June 2016   | <u>342,000</u>                     | <u>16,000</u>                      | <u>64,051</u>              | <u>37,540</u>                          | <u>459,591</u>         |
| At 1 January 2015   | 342,000                            | 16,000                             | 10,045                     | 247,065                                | 615,110                |
| Dividends   | -                                  | -                                  | -                          | (199,999)                              | (199,999)              |
| Total comprehensive<br>income for the<br>financial period | -                                  | -                                  | 37,066                     | 7,703                                  | 44,769                 |
| At 30 June 2015   | <u>342,000</u>                     | <u>16,000</u>                      | <u>47,111</u>              | <u>54,769</u>                          | <u>459,880</u>         |

\* Reserves comprise unallocated surpluses from all funds other than the Participating Life fund (net of deferred tax). This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer the Life fund surplus to the Shareholders' fund.

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

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**SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

|   | 6 months<br>period ended<br><u>30.6.2016</u><br>RM'000 | 6 months<br>period ended<br><u>30.6.2015</u><br>RM'000 |
|---|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |  |  |
| Net profit for the financial period                                       | 29,841   | 44,769   |
| Adjustments for:  |  |  |
| Gross change in contract liabilities                                      | 37,463   | 86,623   |
| Change in contract liabilities ceded to reinsurers                        | (10,668)   | (9,081)  |
| Property and equipment  |  |  |
| - depreciation  | 2,454  | 2,042  |
| - write off   | -  | 6  |
| Net fair value gains on investments at fair value through profit or loss  | (22,549)   | (11,307)   |
| Interest income   | (35,404)   | (36,860)   |
| Dividend income   | (1,499)  | (3,179)  |
| Rental income   | (297)  | (298)  |
| Taxation  | 11,341   | 15,595   |
|   | <hr/>  | <hr/>  |
| Profit from operations before changes in operating assets and liabilities | 10,682   | 88,310   |
| Decrease in loans and receivables   | 3,476  | 83,384   |
| Increase in receivables   | (19,529)   | (1,002)  |
| Increase in insurance claims liabilities                                  | 3,936  | 2,796  |
| Decrease in payables  | (8,034)  | (7,319)  |
| Purchase of investments   | (245,069)  | (386,942)  |
| Proceeds from disposal and maturity of investments                        | 328,548  | 409,628  |
|   | <hr/>  | <hr/>  |
|   | 74,010   | 188,855  |
| Investment income received:   |  |  |
| - Dividend  | 1,445  | 2,992  |
| - Interest  | 36,275   | 37,851   |
| - Rental  | 297  | 298  |
| Taxation paid   | (9,345)  | (12,217)   |
|   | <hr/>  | <hr/>  |
| Net cash generated from operating activities                              | 102,682  | 217,779  |
|   | <hr/>  | <hr/>  |

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**SUN LIFE MALAYSIA ASSURANCE BERHAD**  
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**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

|   | 6 months<br>period ended<br><u>30.6.2016</u><br>RM'000 | 6 months<br>period ended<br><u>30.6.2015</u><br>RM'000 |
|---|--|--|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |  |  |
| Purchase of property and equipment                                | (2,086)  | (4,665)  |
| Net cash used in investing activities                             | <u>(2,086)</u>   | <u>(4,665)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |  |  |
| Dividend paid   | (90,000)   | (199,999)  |
| Net cash used in financing activities                             | <u>(90,000)</u>  | <u>(199,999)</u>                                       |
| Net increase in cash and cash equivalents                         | 10,596   | 13,115   |
| Cash and cash equivalents at beginning<br>of the financial period | <u>14,691</u>  | <u>20,871</u>  |
| Cash and cash equivalents at end<br>of the financial period       | <u><u>25,287</u></u>                                   | <u><u>33,986</u></u>                                   |
| Cash and cash equivalents comprise:                               |  |  |
| Cash and bank balances  | <u><u>25,287</u></u>                                   | <u><u>33,986</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

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

#### 1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of life insurance and investment-linked business. There have been no significant changes in the nature of these activities during the six months period ended 30 June 2016.

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

The registered office and principal place of business of the Company is located at the 11<sup>th</sup> Floor, No.338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur Malaysia.

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is also a financial holding company. All 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 Standards ("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 2015.

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

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

The preparation of interim financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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 and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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## SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

#### 3 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and presentation adopted by the Company in the interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2015, except for the following:

- Amendments to MFRS 116 "Property, plant and equipment" and MFRS 138 "Intangible assets" (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The adoption of the above amendments to standards issued by Malaysian Accounting Standards Board in the current financial year does not have any material impact to the financial statements of the Company.

(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 after 1 January 2016. 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 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses" (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

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## SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (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 “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 irrecoverable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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

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

- MFRS 15 “Revenue from contracts with customers” (effective from 1 January 2018) replaces MFRS 118 “Revenue” and MFRS 111 “Construction contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company will assess the full impact of the above amendments to MFRSs onto the Company’s financial statements.

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## SUN LIFE MALAYSIA ASSURANCE BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (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 2016.

#### 5 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the prior financial year that has a material effect for the six months period ended 30 June 2016.

#### 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 2016.

#### 7 ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issues, repurchases and repayments of debt and equity securities during the six months period ended 30 June 2016.

#### 8 DIVIDENDS

Dividends paid by the Company during the six months period ended 30 June 2016:

- a) Single-Tier Final Dividend in respect of Perpetual Non-Cumulative Preference Shares of 8 sen per share for the financial year ended 31 December 2015 was paid on 20 June 2016 amounting to RM8,000,000;
- b) Single-Tier Final Dividend in respect of Ordinary Shares of 33.8843 sen per share for the financial year ended 31 December 2015 was paid on 20 June 2016 amounting to RM82,000,006.

#### 9 CONTINGENT LIABILITIES

There were no material contingent liabilities that have arisen during the six months period ended 30 June 2016.

#### 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 2016.

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## SUN LIFE MALAYSIA ASSURANCE BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (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 2016.

#### 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 2016.

#### 13 FINANCIAL ASSETS

|                                    | <u>30.6.2016</u><br>RM'000 | <u>31.12.2015</u><br>RM'000 |
|------------------------------------|----------------------------|-----------------------------|
| Malaysian Government Securities    | 428,125                    | 431,208                     |
| Cagamas bonds                      | 21,949                     | 21,709                      |
| Unquoted corporate debt securities | 979,297                    | 1,023,135                   |
| Quoted equity securities           | 75,853                     | 96,675                      |
| Unit trust funds                   | 122,790                    | 117,120                     |
| Unquoted equity securities         | 174                        | 174                         |
|                                    | <u>1,628,188</u>           | <u>1,690,021</u>            |

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

|  | <u>30.6.2016</u><br>RM'000 | <u>31.12.2015</u><br>RM'000 |
|--|----------------------------|-----------------------------|
| Fair value through profit or loss ("FVTPL")<br>– designated upon initial recognition | <u>1,628,188</u>           | <u>1,690,021</u>            |

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

|   | <u>30.6.2016</u><br>RM'000 | <u>31.12.2015</u><br>RM'000 |
|---|----------------------------|-----------------------------|
| FVTPL – designated upon initial recognition | <u>1,373,340</u>           | <u>1,395,796</u>            |

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SUN LIFE MALAYSIA ASSURANCE BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 FINANCIAL ASSETS (CONTINUED)

|   | <u>30.6.2016</u><br>RM'000 | <u>31.12.2015</u><br>RM'000  |
|---|----------------------------|------------------------------|
| (a) FVTPL - designated upon initial recognition |                            |                              |
| Malaysian Government Securities                 | 428,125                    | 431,208                      |
| Cagamas bonds                                   | 21,949                     | 21,709                       |
| Unquoted corporate debt securities              | 979,297                    | 1,023,135                    |
| Quoted equity securities                        | 75,853                     | 96,675                       |
| Unit trust funds                                | 122,790                    | 117,120                      |
| Unquoted equity securities                      | 174                        | 174                          |
|   | <u>1,628,188</u>           | <u>1,690,021</u>             |
| (b) Carrying values of financial assets         |                            | <u>FVTPL/Total</u><br>RM'000 |
| At 1 January 2016                               |                            | 1,690,021                    |
| Purchases                                       |                            | 245,069                      |
| Maturities                                      |                            | (61,439)                     |
| Disposals                                       |                            | (270,038)                    |
| Fair value gains recorded in:                   |                            |                              |
| Profit or loss                                  |                            | 25,478                       |
| Movement in accrued interest                    |                            | (903)                        |
| At 30 June 2016                                 |                            | <u>1,628,188</u>             |
| At 1 January 2015                               |                            | 1,668,327                    |
| Purchases                                       |                            | 629,352                      |
| Maturities                                      |                            | (35,876)                     |
| Disposals                                       |                            | (562,818)                    |
| Fair value gains recorded in:                   |                            |                              |
| Profit or loss                                  |                            | (8,492)                      |
| Movement in accrued interest                    |                            | (472)                        |
| At 31 December 2015                             |                            | <u>1,690,021</u>             |

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**SUN LIFE MALAYSIA ASSURANCE BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

13 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy

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

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

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

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

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

The following table presents the Company's financial assets that are carried at fair value as at 30 June 2016:

|                                    | <u>Level 1</u><br>RM'000 | <u>Level 2</u><br>RM'000 | <u>Level 3</u><br>RM'000 | <u>Total</u><br>RM'000 |
|------------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| <u>FVTPL</u>                       |                          |                          |                          |                        |
| <u>30.6.2016</u>                   |                          |                          |                          |                        |
| Malaysian Government Securities    | -                        | 428,125                  | -                        | 428,125                |
| Cagamas bonds                      | -                        | 21,949                   | -                        | 21,949                 |
| Unquoted corporate debt securities | -                        | 979,297                  | -                        | 979,297                |
| Quoted equity securities           | 75,853                   | -                        | -                        | 75,853                 |
| Unit trust funds                   | 122,790                  | -                        | -                        | 122,790                |
| Unquoted equity securities         | -                        | -                        | 174                      | 174                    |
|                                    | 198,643                  | 1,429,371                | 174                      | 1,628,188              |
|                                    | 198,643                  | 1,429,371                | 174                      | 1,628,188              |

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13 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

|                                    | <u>Level 1</u> | <u>Level 2</u>   | <u>Level 3</u> | <u>Total</u>     |
|------------------------------------|----------------|------------------|----------------|------------------|
|                                    | RM'000         | RM'000           | RM'000         | RM'000           |
| <u>FVTPL</u>                       |                |                  |                |                  |
| <u>31.12.2015</u>                  |                |                  |                |                  |
| Malaysian Government Securities    | -              | 431,208          | -              | 431,208          |
| Cagamas bonds                      | -              | 21,709           | -              | 21,709           |
| Unquoted corporate debt securities | -              | 1,023,135        | -              | 1,023,135        |
| Quoted equity securities           | 96,675         | -                | -              | 96,675           |
| Unit trust funds                   | 117,120        | -                | -              | 117,120          |
| Unquoted equity securities         | -              | -                | 174            | 174              |
|                                    | <u>213,795</u> | <u>1,476,052</u> | <u>174</u>     | <u>1,690,021</u> |

There are no transfers between Level 1 and 2 of the fair value hierarchy during the six months period ended 30 June 2016.

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14 REINSURANCE ASSETS

|  | <u>30.6.2016</u><br>RM'000 | <u>31.12.2015</u><br>RM'000 |
|--|----------------------------|-----------------------------|
| Reinsurance on insurance contracts         |                            |                             |
| - insurance claims liabilities             | 9,238                      | 12,899                      |
| - insurance contract liabilities (note 15) | 117,990                    | 107,322                     |
|  | <u>127,228</u>             | <u>120,221</u>              |
| Receivable within 12 months                | 11,055                     | 19,630                      |
| Receivable after 12 months                 | 116,173                    | 100,591                     |
|  | <u>127,228</u>             | <u>120,221</u>              |

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15 INSURANCE CONTRACT LIABILITIES

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

|   | <u>30.6.2016</u>       |                                    |                      | <u>31.12.2015</u>      |                                    |                      |
|---|------------------------|------------------------------------|----------------------|------------------------|------------------------------------|----------------------|
|   | <u>Gross</u><br>RM'000 | <u>Re-<br/>insurance</u><br>RM'000 | <u>Net</u><br>RM'000 | <u>Gross</u><br>RM'000 | <u>Re-<br/>insurance</u><br>RM'000 | <u>Net</u><br>RM'000 |
| Actuarial liabilities                       | 1,235,040              | (117,990)                          | 1,117,050            | 1,201,428              | (107,322)                          | 1,094,106            |
| Unallocated surplus                         | 798                    | -                                  | 798                  | 430                    | -                                  | 430                  |
| Net asset value attributable to unitholders | 174,671                | -                                  | 174,671              | 171,188                | -                                  | 171,188              |
|   | <u>1,410,509</u>       | <u>(117,990)</u>                   | <u>1,292,519</u>     | <u>1,373,046</u>       | <u>(107,322)</u>                   | <u>1,265,724</u>     |
| Current                                     | 236,359                | (1,817)                            | 234,542              | 296,517                | (6,731)                            | 289,786              |
| Non-current                                 | 1,174,150              | (116,173)                          | 1,057,977            | 1,076,529              | (100,591)                          | 975,938              |
|   | <u>1,410,509</u>       | <u>(117,990)</u>                   | <u>1,292,519</u>     | <u>1,373,046</u>       | <u>(107,322)</u>                   | <u>1,265,724</u>     |

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15 INSURANCE CONTRACT LIABILITIES (CONTINUED)

|   | <u>Gross</u><br>RM'000 | <u>Reinsurance</u><br>RM'000 | <u>Net</u><br>RM'000 |
|---|------------------------|------------------------------|----------------------|
| At 1 January 2016                                       | 1,373,046              | (107,322)                    | 1,265,724            |
| <u>Projected changes of inforce policies</u>            |                        |                              |                      |
| Premium income  | 71,934                 | (28,799)                     | 43,135               |
| Expense and commission                                  | (16,768)               | 10                           | (16,758)             |
| Benefits  | (101,707)              | 29,514                       | (72,193)             |
| Interest on cashflows                                   | 14,947                 | (1,366)                      | 13,581               |
| Others  | (6,927)                | 3,602                        | (3,325)              |
| Experience variance on inforce policies                 | (5,261)                | 235                          | (5,026)              |
| Reserve for new policies                                | 47,087                 | (9,802)                      | 37,285               |
| <u>Assumption changes</u>                               |                        |                              |                      |
| Discount rate   | 37,968                 | (3,800)                      | 34,168               |
| Mortality   | -                      | -                            | -                    |
| Lapse rates   | -                      | -                            | -                    |
| Policy expenses   | -                      | -                            | -                    |
| Others  | (3,685)                | -                            | (3,685)              |
| Expenses reserves                                       | (3,252)                | -                            | (3,252)              |
| Other changes   | (724)                  | (262)                        | (986)                |
| Movement in unallocated surplus                         | 368                    | -                            | 368                  |
| Movement in net asset value attributable to unitholders | 3,483                  | -                            | 3,483                |
| At 30 June 2016   | <u>1,410,509</u>       | <u>(117,990)</u>             | <u>1,292,519</u>     |

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15 INSURANCE CONTRACT LIABILITIES (CONTINUED)

|   | <u>Gross</u><br>RM'000 | <u>Reinsurance</u><br>RM'000 | <u>Net</u><br>RM'000 |
|---|------------------------|------------------------------|----------------------|
| At 1 January 2015                                       | 1,292,932              | (90,311)                     | 1,202,621            |
| <u>Projected changes of inforce policies</u>            |                        |                              |                      |
| Premium income  | 113,116                | (52,396)                     | 60,720               |
| Expense and commission                                  | (23,602)               | 21                           | (23,581)             |
| Benefits  | (191,292)              | 52,958                       | (138,334)            |
| Interest on cashflows                                   | 37,516                 | (2,970)                      | 34,546               |
| Others  | (12,542)               | 6,764                        | (5,778)              |
| Experience variance on inforce policies                 | (5,777)                | 292                          | (5,485)              |
| Reserve for new policies                                | 128,190                | (19,485)                     | 108,705              |
| <u>Assumption changes</u>                               |                        |                              |                      |
| Discount rate   | (5,241)                | 547                          | (4,694)              |
| Mortality   | (8,028)                | 5,947                        | (2,081)              |
| Lapse rates   | (1,682)                | 1,297                        | (385)                |
| Policy expenses   | (13,176)               | -                            | (13,176)             |
| Others  | (190)                  | -                            | (190)                |
| Expenses reserves                                       | (6,900)                | -                            | (6,900)              |
| Other changes   | (2,020)                | (9,986)                      | (12,006)             |
| Movement in unallocated surplus                         | (110)                  | -                            | (110)                |
| Movement in net asset value attributable to unitholders | 71,852                 | -                            | 71,852               |
| At 31 December 2015                                     | <u>1,373,046</u>       | <u>(107,322)</u>             | <u>1,265,724</u>     |

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16 OPERATING LEASE COMMITMENTS

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

|  | <u>30.6.2016</u><br>RM'000 | <u>31.12.2015</u><br>RM'000 |
|--|----------------------------|-----------------------------|
| Not later than 1 year                        | 302                        | 375                         |
| Later than 1 year and not later than 5 years | 158                        | 306                         |
|  | <u>460</u>                 | <u>681</u>                  |

17 CAPITAL COMMITMENTS

|   | <u>30.6.2016</u><br>RM'000 | <u>31.12.2015</u><br>RM'000 |
|---|----------------------------|-----------------------------|
| <u>Approved and contracted for:</u>     |                            |                             |
| Property and equipment                  | 2,764                      | 1,576                       |
| <u>Approved but not contracted for:</u> |                            |                             |
| Property and equipment                  | 3,347                      | 792                         |
|   | <u>6,111</u>               | <u>2,368</u>                |

18 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2016, as prescribed under the Risk Based Capital Framework is provided below:

|                                | <u>30.6.2016</u><br>RM'000 | <u>31.12.2015</u><br>RM'000 |
|--------------------------------|----------------------------|-----------------------------|
| <u>Eligible Tier 1 Capital</u> |                            |                             |
| Share capital (paid-up)        | 342,000                    | 342,000                     |
| Share premium                  | 16,000                     | 16,000                      |
| Retained earnings              | 37,540                     | 116,507                     |
| Eligible contract liabilities  | 83,545                     | 60,578                      |
|                                | <u>479,085</u>             | <u>535,085</u>              |
| <u>Tier 2 Capital</u>          |                            |                             |
| Amounts added to capital       | -                          | -                           |
| Total capital available        | <u>479,085</u>             | <u>535,085</u>              |

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**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

19 **INSURANCE FUNDS**

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

Statement of financial position by Funds as at 30 June 2016

|                        | Shareholders' Fund |                   | Life Fund         |                   | Elimination       |                   | Total             |                   |
|------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                        | <u>30.06.2016</u>  | <u>31.12.2015</u> | <u>30.06.2016</u> | <u>31.12.2015</u> | <u>30.06.2016</u> | <u>31.12.2015</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|                        | RM'000             | RM'000            | RM'000            | RM'000            | RM'000            | RM'000            | RM'000            | RM'000            |
| <b>Assets</b>          |                    |                   |                   |                   |                   |                   |                   |                   |
| Property and equipment | -                  | -                 | 49,890            | 50,258            | -                 | -                 | 49,890            | 50,258            |
| Financial assets       | 393,274            | 392,405           | 1,270,612         | 1,333,456         | (35,698)          | (35,840)          | 1,628,188         | 1,690,021         |
| Loans and receivables  | 6,805              | 10,740            | 90,075            | 89,584            | -                 | -                 | 96,880            | 100,324           |
| Reinsurance assets     | -                  | -                 | 127,228           | 120,221           | -                 | -                 | 127,228           | 120,221           |
| Insurance receivables  | -                  | -                 | 6,282             | 4,854             | -                 | -                 | 6,282             | 4,854             |
| Other receivables      | 79,906             | 130,407           | 29,517            | 11,334            | (79,887)          | (130,386)         | 29,536            | 11,355            |
| Cash and bank balances | 11                 | 10                | 25,276            | 14,681            | -                 | -                 | 25,287            | 14,691            |
| Current tax assets     | 4,314              | -                 | (862)             | -                 | -                 | -                 | 3,452             | -                 |
| <b>Total assets</b>    | <b>484,310</b>     | <b>533,562</b>    | <b>1,598,018</b>  | <b>1,624,388</b>  | <b>(115,585)</b>  | <b>(166,226)</b>  | <b>1,966,743</b>  | <b>1,991,724</b>  |

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

19 **INSURANCE FUNDS (CONTINUED)**

Statement of financial position by Funds as at 30 June 2016 (continued)

|   | <u>Shareholders' Fund</u> |                   | <u>Life Fund</u>  |                   | <u>Elimination</u> |                   | <u>Total</u>      |                   |
|---|---------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
|   | <u>30.06.2016</u>         | <u>31.12.2015</u> | <u>30.06.2016</u> | <u>31.12.2015</u> | <u>30.06.2016</u>  | <u>31.12.2015</u> | <u>30.06.2016</u> | <u>31.12.2015</u> |
|   | RM'000                    | RM'000            | RM'000            | RM'000            | RM'000             | RM'000            | RM'000            | RM'000            |
| Share capital   | 342,000                   | 342,000           | -                 | -                 | -                  | -                 | 342,000           | 342,000           |
| Share premiums  | 16,000                    | 16,000            | -                 | -                 | -                  | -                 | 16,000            | 16,000            |
| Retained earnings   | 37,540                    | 116,507           | -                 | -                 | -                  | -                 | 37,540            | 116,507           |
| Reserves  | 64,051                    | 45,243            | -                 | -                 | -                  | -                 | 64,051            | 45,243            |
| <b>Total equity</b>                                       | <b>459,591</b>            | <b>519,750</b>    | <b>-</b>          | <b>-</b>          | <b>-</b>           | <b>-</b>          | <b>459,591</b>    | <b>519,750</b>    |
| <u>Liabilities</u>  |                           |                   |                   |                   |                    |                   |                   |                   |
| Insurance contract liabilities                            | -                         | -                 | 1,446,207         | 1,408,886         | (35,698)           | (35,840)          | 1,410,509         | 1,373,046         |
| Insurance claims liabilities                              | -                         | -                 | 14,817            | 14,542            | -                  | -                 | 14,817            | 14,542            |
| Insurance payables  | -                         | -                 | 13,502            | 20,134            | -                  | -                 | 13,502            | 20,134            |
| Other financial liabilities                               | 5,145                     | -                 | 11,621            | 8,321             | -                  | -                 | 16,766            | 8,321             |
| Other payables  | 335                       | 656               | 110,255           | 170,280           | (79,887)           | (130,386)         | 30,703            | 40,550            |
| Current tax liabilities                                   | -                         | (527)             | -                 | 2,091             | -                  | -                 | -                 | 1,564             |
| Deferred tax liabilities                                  | 19,239                    | 13,683            | 1,616             | 134               | -                  | -                 | 20,855            | 13,817            |
| <b>Total liabilities</b>                                  | <b>24,719</b>             | <b>13,812</b>     | <b>1,598,018</b>  | <b>1,624,388</b>  | <b>(115,585)</b>   | <b>(166,226)</b>  | <b>1,507,152</b>  | <b>1,471,974</b>  |
| <b>Total equity, policyholders' funds and liabilities</b> | <b>484,310</b>            | <b>533,562</b>    | <b>1,598,018</b>  | <b>1,624,388</b>  | <b>(115,585)</b>   | <b>(166,226)</b>  | <b>1,966,743</b>  | <b>1,991,724</b>  |

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19 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2016

|  | Shareholders' Fund                              |   | Life Fund                                       |   | Elimination                                     |   | Total   |   |
|--|---|---|---|---|---|---|---|---|
|  | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 |
| Gross premiums                                     | -   | -   | 216,218   | 283,117   | -   | -   | 216,218   | 283,117   |
| Premiums ceded to reinsurers                       | -   | -   | (34,287)  | (31,575)  | -   | -   | (34,287)  | (31,575)  |
| Net premiums                                       | -   | -   | 181,931   | 251,542   | -   | -   | 181,931   | 251,542   |
| Investment income                                  | 8,134   | 8,224   | 29,066  | 32,113  | -   | -   | 37,200  | 40,337  |
| Net fair value gains                               | 6,593   | 2,450   | 15,814  | 8,556   | 142   | 301   | 22,549  | 11,307  |
| Other operating income                             | -   | 2   | 1,130   | 755   | -   | -   | 1,130   | 757   |
| Other income                                       | 14,727  | 10,676  | 46,010  | 41,424  | 142   | 301   | 60,879  | 52,401  |
| Gross benefits and claims paid                     | -   | -   | (120,396)                                       | (122,835)                                       | -   | -   | (120,396)                                       | (122,835)                                       |
| Claims ceded to reinsurers                         | -   | -   | 20,472  | 25,568  | -   | -   | 20,472  | 25,568  |
| Gross change in contract liabilities               | -   | -   | (37,321)  | (86,322)  | (142)   | (301)   | (37,463)  | (86,623)  |
| Change in contract liabilities ceded to reinsurers | -   | -   | 10,668  | 9,081   | -   | -   | 10,668  | 9,081   |
| Net claims   | -   | -   | (126,577)                                       | (174,508)                                       | (142)   | (301)   | (126,719)                                       | (174,809)                                       |

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19 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2016 (continued)

|  | Shareholders' Fund                              |   | Life Fund                                       |   | Elimination                                     |   | Total   |   |
|--|---|---|---|---|---|---|---|---|
|  | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 |
| Commission expenses  | -   | -   | (22,784)  | (22,938)  | -   | -   | (22,784)  | (22,938)  |
| Management expenses  | -   | -   | (50,948)  | (43,551)  | -   | -   | (50,948)  | (43,551)  |
| Other operating expenses                                     | (225)   | (395)   | (2)   | (877)   | -   | -   | (227)   | (1,272)   |
| Investment expenses  | -   | (11)  | (950)   | (998)   | -   | -   | (950)   | (1,009)   |
| Other expenses   | (225)   | (406)   | (74,684)  | (68,364)  | -   | -   | (74,909)  | (68,770)  |
| Profit before taxation                                       | 14,502  | 10,270  | 26,680  | 50,094  | -   | -   | 41,182  | 60,364  |
| Tax expense attributable to policyholders<br>and unitholders | -   | -   | (3,885)   | 106   | -   | -   | (3,885)   | 106   |
| Transfer from life fund                                      | 22,795  | 46,919  | (22,795)  | (46,919)  | -   | -   | -   | -   |
| Profit before taxation attributable to<br>Shareholders       | 37,297  | 57,189  | -   | 3,281   | -   | -   | 37,297  | 60,470  |

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19 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the six months period ended 30 June 2016 (continued)

|   | Shareholders' Fund                              |   | Life Fund                                       |   | Elimination                                     |   | Total   |   |
|---|---|---|---|---|---|---|---|---|
|   | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 | 6 months<br>period ended<br>30.6.2016<br>RM'000 | 6 months<br>period ended<br>30.6.2015<br>RM'000 |
| Profit before taxation attributable to Shareholders       | 37,297  | 57,189  | -   | 3,281   | -   | -   | 37,297  | 60,470  |
| Taxation *  | (7,456)   | (12,420)  | (3,885)   | (3,175)   | -   | -   | (11,341)  | (15,595)  |
| Tax expense attributable to policyholders and unitholders | -   | -   | 3,885   | (106)   | -   | -   | 3,885   | (106)   |
| Tax expense attributable to Shareholders                  | (7,456)   | (12,420)  | -   | (3,281)   | -   | -   | (7,456)   | (15,701)  |
| Net profit for the financial period                       | <u>29,841</u>                                   | <u>44,769</u>                                   | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>29,841</u>                                   | <u>44,769</u>                                   |

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