

CELEBRATING CENTENNIAL A LONG LIFE

GREAT EASTERN HOLDINGS LIMITED ANNUAL REPORT 2008

**100
GREAT
YEARS**

OUR MISSION

To make life great by providing financial security, and promoting good health and meaningful relationships.

OUR VISION

To be the leading financial service provider in Asia, recognised for our excellence.

OUR CORE VALUES

Integrity

Initiative

Involvement

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Since 2006, we are the title sponsor of the annual Great Eastern Women 10K, Asia's biggest all-women race. A record 10,000 women took part in the event in October 2008.

KEEP ON RUNNING

We are forging ahead beyond our established markets in Singapore and Malaysia. Our vision is to be a leading financial service provider in Asia and we have expanded to China, Indonesia, Brunei and Vietnam.



KEEP ON PERFORMING

For 100 years, Great Eastern has consistently achieved strong financial performance, and delivered value to our shareholders and service excellence to our policyholders.





We were the title sponsor of the Great Eastern International Kids Performing Festival in December 2008, involving talented children and youths.



Guest of Ho



On 26 August 2008, Great Eastern celebrated its 100th birthday with 900 guests at the Raffles City Convention Centre.

**KEEP ON
GOING**

As we journey into our second century, we remain dedicated to making life great with financial security, good health and meaningful relationships.

*Centennial
Gala Dinner*

Honour: Prime Minister Lee Hsien Loong

26 August 2008



FINANCIAL HIGHLIGHTS

Financial year ended 31 December	2008 ⁽¹⁾	2007 ⁽¹⁾	2006 ⁽¹⁾	2005 ⁽¹⁾	2004 ⁽¹⁾	2003 ⁽¹⁾	2002 ⁽¹⁾	2001 ⁽¹⁾	2000 ^{(1)&(2)}	1999 ⁽¹⁾
GROUP STATISTICS										
Gross Written Premiums (S\$millions)	7,029.7	5,997.7	5,417.5	5,030.2	5,374.9	5,055.9	5,271.7	5,680.5	3,037.6	2,593.8
⁽³⁾ Profit Attributable to Shareholders (S\$millions)	272.4	546.9	476.9	372.9	402.0	312.2	233.8	202.2	180.1	221.1
Total Assets (S\$millions)	44,026.2	46,515.4	42,025.9	39,228.6	36,323.3	32,351.7	27,346.3	23,833.7	19,119.5	13,800.0
⁽⁴⁾ Shareholders' Fund (S\$millions)	3,011.2	3,285.8	2,935.4	2,629.3	2,324.7	2,024.0	1,630.0	1,531.2	1,407.5	971.8
⁽⁵⁾ Stock Exchange Prices (S\$)	9.06	16.60	17.0	14.70	13.00	10.70	8.50	9.95	5.55	4.85
⁽⁵⁾ Market Capitalisation (S\$millions)	4,288.3	7,857.1	8,046.4	6,957.8	6,153.1	5,044.6	4,006.0	4,689.3	2,615.7	1,885.2
Embedded Value (S\$millions)	5,788.0	6,265.3	5,625.4	5,016.2	4,657.5	4,407.2	3,687.8	3,535.1	not available	not available
Economic Value of One Year's New Business (S\$millions)	264.1	268.1	215.2	204.3	186.5	183.0	156.2	125.9	not available	not available
GROUP FINANCIAL RATIOS										
^{(4)&(6)} Return on Equity	8.7%	17.6%	17.1%	15.1%	18.5%	17.1%	14.8%	13.8%	17.4%	25.5%
Gross Written Premium Growth	17.2%	10.7%	7.7%	-6.4%	6.3%	-4.1%	-7.2%	87.0%	17.1%	16.5%
^{(7)&(8)} Basic Earnings per share (S\$)	0.58	1.16	1.01	0.79	0.85	0.66	0.49	0.43	0.46	0.57
^{(8)&(9)} Diluted Earnings per share (S\$)	0.58	1.16	1.01	0.79	0.85	0.66	0.49	0.43	0.46	0.57
^{(4)&(8)} Net Asset Value per share (S\$)	6.36	6.94	6.20	5.56	4.91	4.29	3.46	3.25	2.99	2.50
Embedded Value per share (S\$)	12.229	13.237	11.885	10.598	9.840	9.348	7.825	7.501	not available	not available
⁽¹⁰⁾ Economic Value of One Year's New Business per share (S\$)	0.558	0.564	0.454	0.432	0.394	0.388	0.330	0.266	not available	not available
^{(4)&(8)} Gross dividend per share paid during the year (cents)	52.0	70.0	50.0	35.0	30.0	21.0	17.0	17.0	17.1	4.5

⁽¹⁾ Effective from 1 January 2002, the Group adopted the Singapore Financial Reporting Standard No. 39, ("FRS 39"), Financial Instruments: Recognition and Measurement (previously known as Singapore Statement of Accounting Standard No.33, Financial Instruments: Recognition and Measurement) before its effective date (1 January 2005). From year 2002 onwards, all the financial highlights included the effects of adopting FRS 39, which accounts for all financial instruments at fair value in the financial statements.

In accordance with the transitional provisions of FRS 39, the pre-existing accounting policies related to the recognition, derecognition and measurement of financial instruments, for periods prior to the adoption of FRS 39, are not reversed. Consequently, the financial highlights for the years 1999 to 2001 have not been restated.

⁽²⁾ For year 2000, Gross Written Premiums, Profit Attributable to Shareholders, Return on Equity, Gross Written Premium Growth, Basic Earnings per share and Diluted Earnings per share do not include those of OAC as the post acquisition results of OAC between 23 and 31 December 2000 were considered to be not material. However, Total Assets as at 31 December 2000 included those of OAC.

⁽³⁾ Profit attributable to shareholders is derived after accounting for income tax and exceptional items.

⁽⁴⁾ With the adoption of the Singapore Financial Reporting Standard No. 10: Events after the Balance Sheet Date (previously known as Singapore Statement of Accounting Standard No. 10: Events after the Balance Sheet Date) in 2001, Dividend Proposed for the year henceforth has been accounted for as an event after the balance sheet date. Shareholders' Fund, Return on Equity, Net Asset Value per share and Dividend per share paid during the year for the years 1999 to 2000 have been restated accordingly.

⁽⁵⁾ The Stock Exchange Prices and Market Capitalisation were obtained from Bloomberg.

⁽⁶⁾ The average of the opening (1 January) and closing (31 December) balances of Shareholders' Fund has been used in the computation of Return on Equity. As described in Footnote (2), the Profit Attributable to Shareholders for the year ended 31 December 2000 does not include that of OAC, hence the computation of Return on Equity for the year 2000 has been adjusted for the exclusion of equity from OAC (S\$313.6 million) which was consolidated as at 31 December 2000.

⁽⁷⁾ The Basic Earnings per share were based on the Group's Profit Attributable to Shareholders divided by total paid-up shares.

⁽⁸⁾ The total number of ordinary paid-up shares for the years 1999 to 2000 was adjusted for the bonus issue and sub-division of ordinary shares of S\$1 each, which took effect from 10 May 2000 and 25 May 2000 respectively. The two events resulted in the total number of paid-up ordinary shares of S\$0.50 each, to be increased from 97,175,882 to 388,703,528. The Basic Earnings per share, Diluted Earnings per share, Net Asset Value per share and Dividend per share paid during the year and Dividend per share declared for the year has been recomputed to account for these changes.

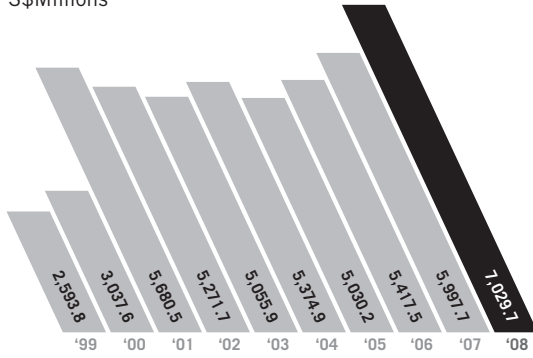
For the year 2000, in addition to the two events, the acquisition of OAC which was effective on 23 December 2000, led to a further increase in the total number of paid-up ordinary shares of S\$0.50 each as at 31 December 2000 from 388,703,528 to 471,290,369. As described in Footnote (2), the Profit Attributable to Shareholders for the year ended 31 December 2000 does not include that of OAC, hence the computation of Basic Earnings per share and Diluted Earnings per share for the year 2000 was based on 388,703,528 ordinary paid-up shares. However, Total Assets as at 31 December 2000 included those of OAC, hence the computation of Net Asset Value per share for the year 2000 was based on 471,290,369 ordinary paid-up shares.

⁽⁹⁾ There were no dilutive or potentially dilutive shares prior to 1999.

⁽¹⁰⁾ The economic value of one year's new business prior to year 2008 does not include the new business written in Brunei, Indonesia and China.

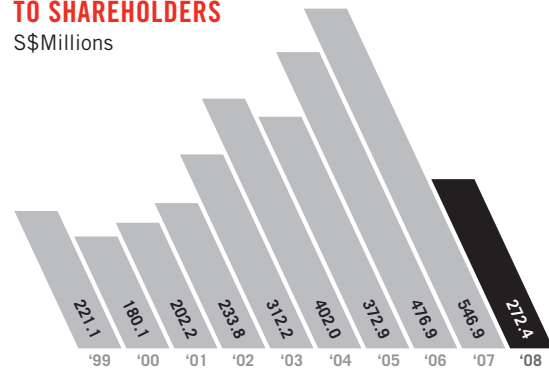
GROSS WRITTEN PREMIUMS

S\$Millions



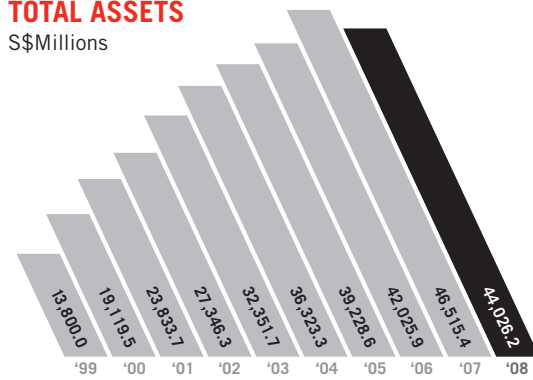
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

S\$Millions



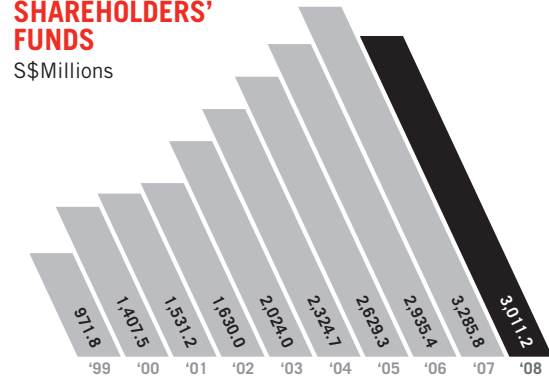
TOTAL ASSETS

S\$Millions



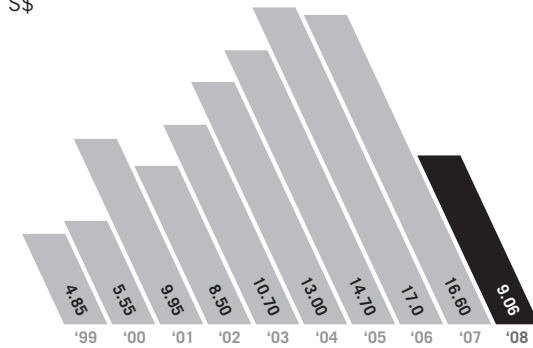
SHAREHOLDERS' FUNDS

S\$Millions



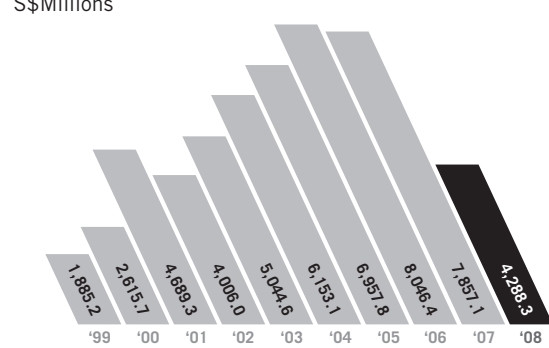
STOCK EXCHANGE PRICES

S\$



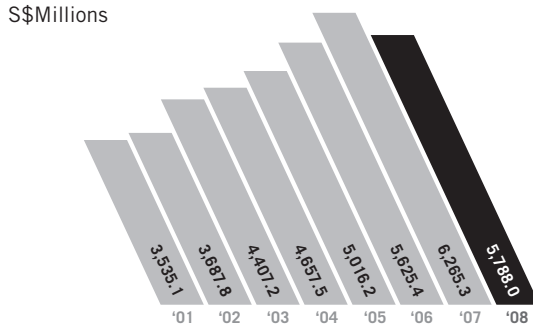
MARKET CAPITALISATION

S\$Millions



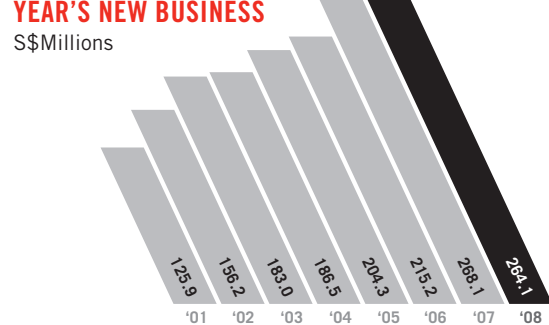
EMBEDDED VALUE

S\$Millions



ECONOMIC VALUE OF ONE YEAR'S NEW BUSINESS

S\$Millions



CHAIRMAN'S STATEMENT



We celebrated our 100th anniversary in 2008. The highlight of our celebrations was the grand centennial dinner on 26 August 2008, where we were honoured to have Singapore's Prime Minister Lee Hsien Loong as the guest-of-honour.

Founded on 26 August 1908, Great Eastern is today the most established and largest life insurance group both in Singapore and Malaysia. We are also the market leader in Singapore and Malaysia. With S\$44 billion in assets and 3.8 million policyholders, we have two successful distribution channels – the tied agency force and bancassurance.

FINANCIAL PERFORMANCE

The global economy in 2008 was hit by a financial turmoil that started in the USA with the collapse of a number of one-time blue-chip banks and financial institutions. This crisis is believed to be the worst since the Great Depression in the 1930's. Singapore and Malaysia have not been spared. In Singapore, the economy went down from the 7.7% growth for 2007 to 1.1% growth for 2008, and will most likely be in negative territory for 2009. The downturn in Malaysia was less severe; GDP rose by 4.6% in 2008, as against 6.3% growth in 2007. Prospects are for a further weakening in 2009. Businesses in both countries were similarly affected.

Our Group achieved profit attributable to shareholders of S\$272.4 million for 2008. This was a decrease of 50% when compared with the record high of S\$546.9 million achieved for 2007. The year 2007 had been an exceptional year, with record profits from strong investment returns on its funds, gains from the sale of some investments and the one-off special bonus for policyholders which also benefited shareholders proportionately.

Profit from insurance operations dropped 41% to S\$317 million for 2008, due mainly to the one-off special policy bonus declared for 2007, mark-to-market investment losses for 2008 and lower realised investment profits. Pre-tax profit from investments in the Shareholders' Fund dropped 63% to S\$40.9 million, also due mainly to a provision for asset impairment, mark-to-market losses on foreign exchange, and a much smaller realised and mark-to-market gain on the sale of investments and changes in fair value. Pre-tax fees and other income were 25% lower at S\$79.5 million, mainly because of a decrease in the assets under management (S\$27.3 billion on 31 December 2008, compared to S\$35.3 billion on 31 December 2007).

However, the Group's capital and solvency positions remain strong. Our insurance subsidiaries have complied with the capital ratios prescribed in the insurance regulations in the jurisdictions in which they operate. In Singapore, the capital adequacy ratio of our insurance subsidiaries was 227% as at 31 December 2008, against the regulatory requirement of 120%. The available capital was S\$6.0 billion and the risk capital requirement was S\$2.6 billion. In Malaysia, the regulatory requirements were also fully met. Our mark-to-market fund surplus for the participating fund under the margin of solvency requirement was S\$2.9 billion as at 31 December, representing 32.6% of the long-term actuarial liability reserves.

What is also very encouraging is that the underlying insurance business of our Group has become even stronger in 2008. Group gross premium recorded an increase of 17% to S\$7,030 million. New business premium sales rose 32% to S\$3,669 million.

The Group has therefore maintained its leadership position in the life insurance business in Singapore and Malaysia. In Singapore, we captured 29% market share in terms of weighted new business premium. In the bancassurance sector, our market share in Singapore was 46%. In Malaysia, Great Eastern also retained its pole position with 22% market share.

The Group's total assets as at 31 December 2008 totalled S\$44 billion, a drop of 5% over S\$46.5 billion as at 31 December 2007. The net asset value per share was S\$6.36, a drop of about 8%.

DIVIDENDS

The Board is pleased to recommend a final one-tier tax exempt dividend of 16 cents per ordinary share, payable on 7 May 2009. With the interim dividend of 10 cents paid on 4 September 2008, the total dividend for 2008 will be 26 cents per ordinary share (2007: 58.12 cents, including a special dividend of 26 cents). The total dividend payout for the year will be S\$123 million.

REGULATORY & OTHER DEVELOPMENTS IN SINGAPORE AND MALAYSIA

The Monetary Authority of Singapore will be introducing guidelines under the Financial Advisers Act ("FAA") to govern the responsibility of the Board and senior management for delivering fair dealing outcomes to consumers. They will improve transparency and fair dealing standards across the financial advisory industry, as well as after-sales services and complaints handling. In addition, the Consumer Protection (Fair Trading) Act ("CPFTA") has been amended to include financial products and services from April 2009. Our Group's insurance subsidiaries are adequately prepared to meet the FAA guidelines and to comply with the CPFTA provisions.

Malaysia implemented the new regulatory solvency framework – the Risk Based Capital ("RBC") framework – on 1 January 2009. This framework aims to provide a more realistic measure of an insurer's financial strength by requiring an insurer to maintain a capital adequacy level that is commensurate with its risk profile. We were involved in a two-year industry-wide parallel run of the RBC framework prior to its full implementation. During the parallel run, we made changes to further strengthen our corporate governance,

risk management, investment and capital management strategies and product offerings. We are therefore well prepared to operate under this framework. Our profit from the Malaysian operations is expected to fluctuate with changes in the value of the insurance assets and liabilities, which will be subject to mark-to-market rules. The capital within the Group is more than adequate to support our insurance operations in Malaysia under this framework.

CORPORATE SOCIAL RESPONSIBILITY

Giving back to society continues to be a way of life at Great Eastern.

In the year of our centennial celebrations, we raised S\$1 million in Singapore for our long-standing community projects, ChildrenCare and GoldenCare. This will benefit four charities under the umbrella of the Community Chest. In recognition of our fund-raising efforts in the past year, we were conferred the Special Events Platinum Award and the prestigious 15-year Outstanding Special Events Award by the Community Chest.

Our community giving extends beyond Singapore. Great Eastern in Singapore and China donated a total of RMB 2 million to the earthquake victims in Chongqing. In addition, we donated RMB 500,000 to the Chongqing Children Leukaemia Foundation during our centennial celebrations.

In Malaysia, our long-term charity project, ChildrenCare, continued to spread the "Life is great!" cheer to underprivileged children, with a ChildrenCare camp for Orang Asli children, a "read to the blind" workshop for visually impaired students, and a "sponsor-a-book" programme for juvenile prisoners.

STRENGTHENING OUR REGIONAL PRESENCE

Great Eastern Life Assurance (China) Co Ltd, our joint-venture life insurance company with Chongqing Land Properties Group, continued to build a strong foundation for future growth in China. We opened new sales service centres in major parts of Chongqing, including Hechuan, Wanzhou, Jiangjin and Yongchuan, and a branch office in Chongqing. In November, we submitted our application to set up a branch office in Sichuan.

Our Indonesian subsidiary, Great Eastern Life Indonesia (GELIndo), built upon its close partnership with Bank OCBC NISP to develop insurance solutions for bank customers. In October, at its centennial celebrations in Jakarta, GELIndo donated IDR 100 million to the Sampoerna Foundation to provide scholarships to deserving students.

We achieved a significant milestone in our venture into Vietnam with the grand opening of Great Eastern Life (Vietnam) Co Ltd (GELV) in Hanoi, held in conjunction with our centennial dinner, on 12 September 2008. This was then followed by the official opening of our Ho Chi Minh City branch on 12 December 2008. The launch of GELV was supported by a number of strategic marketing initiatives to raise public awareness of our company. We awarded 100 scholarships to outstanding students in five local universities in Hanoi and Ho Chi Minh City.

LOOKING AHEAD

We are heading into uncertain times in 2009. The Singapore economy is officially forecast to shrink between 2% and 5%. In Malaysia, the downturn will also intensify.

Although we will not underestimate the severity and duration of the global economic recession, we believe that we will be able to weather the storm. The capital and solvency positions of the Group remain strong. Our capital adequacy ratio is well above the minimum regulatory requirement and is expected to remain so, even under stress scenarios. We will closely manage the various risks within the portfolios, and ensure that the financial strength of our balance sheet is maintained.

Cost management will be a key focus in our operations. Discretionary expenses, such as travel, staff activities, off-site meetings and incentive programmes, will be managed prudently. Recruitment will also be contained, while we optimise our human resources. However, to build up our human capital capabilities, we will continue to invest in training and developing our people, to ensure that they are able to seize opportunities in growing our business in our established and new markets.

With a strong balance sheet, strong brand, market leadership position and a focus on service excellence, our Group remains dedicated to meeting the needs of all our stakeholders. Guided by our core values of integrity, initiative and involvement, we will continue to deliver value to our shareholders and customer service excellence to our policyholders.

ACKNOWLEDGEMENTS

At the Company's AGM in April 2008, Mr Michael Wong Pakshong retired as a Director under section 153 of the Companies Act, after serving on the Board for twenty five years, eight of which as the Chairman of the Group. We are indebted to him for leading and growing our company. In December 2008, Mr Tan Beng Lee retired after 12 and a half years as the Group Chief Executive Officer. He has been credited for strengthening the Great Eastern brand, developing a strong corporate culture of service excellence, and increasing the professionalism and competency of our tied agency force. On behalf of the Board, we wish to express our deep appreciation to Mr Wong and Mr Tan for their invaluable contributions, and wish them well in their retirement.

The Board extends a very warm welcome to Mr Ng Keng Hooi who joined the Company as the new Group CEO and a Director on the Board on 1 December 2008. He was the previous regional managing director of an international insurance company, and was responsible for the success of its insurance operations in Malaysia, Singapore and Indonesia. His experience and competencies in the insurance business will help take Great Eastern into its next phase of growth as we enter into our second century.

I would like to thank my fellow Directors on the Board for their invaluable advice and contributions. In my first year as the Chairman of the Group, I have benefited greatly from their wise counsel and support.

Finally, on behalf of the Board, I wish to express my deepest appreciation to the management, staff and agency force for their dedication and contribution to the Group's achievements. My gratitude also goes to our shareholders and business partners for their strong support. And finally to our loyal customers, thank you for your continued trust and confidence.



FANG AI LIAN (MRS)

Chairman
28 February 2009

BOARD OF DIRECTORS



FANG AI LIAN (MRS)

Chairman

Mrs Fang was first appointed to the Board of Great Eastern Holdings Limited (the "Company") on 1 April 2008 as a non-executive Director and was appointed as Chairman of the Company upon her re-appointment as a Director on 15 April 2008. She was appointed Chairman of the Company's principal insurance subsidiaries – The Great Eastern Life Assurance Company Limited ("Great Eastern Life" or "GEL") and The Overseas Assurance Corporation Limited ("OAC") on 15 April 2008, and Great Eastern Capital (Malaysia) Sdn Bhd, Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Berhad on 3 June 2008. She also serves as a Director in several companies, including Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Banyan Tree Holdings Limited, Singapore Telecommunications Limited, Metro Holdings Limited and MediaCorp Pte Ltd. She is a Board member of Public Utilities Board, International Enterprise Singapore

and a Member of the Governing Board of Duke-NUS Graduate Medical School of Singapore. She was previously with Ernst & Young ("E&Y") for the past 37 years till her retirement on 31 March 2008, the last position being Chairman of E&Y Singapore.

Mrs Fang qualified as a Chartered Accountant in England and is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Institute of Certified Public Accountants in Singapore and a Member of the Malaysian Association of Certified Public Accountants.

NG KENG HOOI

Group Chief Executive Officer

Mr Ng was first appointed to the Company's Board on 1 December 2008 upon his appointment as the Group Chief Executive Officer of the Company, of Great Eastern Life and OAC with effect from 1 December 2008. He was appointed to the Board of Great Eastern Life and OAC on 1 January 2009, and was appointed Chairman of the Company's asset management

subsidiary, Lion Global Investors Limited on 2 January 2009. Mr Ng had formerly worked for about 19 years with the Prudential group. The last position he held (until November 2008) was as Regional Managing Director, Insurance, for Malaysia, Singapore and Indonesia. He was also a Director of Prudential Corporation Asia, Chairman of Prudential Assurance Malaysia Berhad, Chairman of Prudential Assurance Co Singapore and President Commissioner of PT Prudential Life Assurance, Indonesia.

Mr Ng holds a Bachelor of Science in Mechanical Engineering (Summa Cum Laude) from Lafayette College, Easton, Pennsylvania, USA and is a Fellow of the Society of Actuaries, USA.



From left to right

CHEONG CHOONG KONG

Dr Cheong was first appointed to the Board of the Company on 7 January 2005 and was last re-elected as the Company's Director on 17 April 2007. He is a Director of OAC and was a Director of Great Eastern Life until 15 April 2008. He is Chairman of OCBC Bank and OCBC Management Services Private Limited. He was previously a Director of United Eagle Airlines Co Limited (until 14 July 2006), Singapore Press Holdings Limited (until 4 December 2007) and Singapore Airlines Limited ("SIA") until June 2003, the last 19 years of which as SIA's Managing Director and Chief Executive Officer.

Dr Cheong holds a Bachelor of Science (First Class Hons) in Mathematics from the University of Adelaide and a Master of Science and a Ph.D in Mathematics from the Australian National University, Australia.

DAVID CONNER

Mr Conner was first appointed to the Board of the Company on 7 January 2005 and was last re-elected as the Company's Director on 17 April 2007. He is a Director of OAC and was a Director of Great Eastern Life until 15 April 2008. Mr Conner is the

Chief Executive Officer and Director of OCBC Bank, and also serves as a Director of OCBC Bank (Malaysia) Berhad, OCBC Overseas Investments Pte Ltd, OCBC Al-Amin Bank Berhad, the International Monetary Conference and KTB Ltd. He is Chairman and Director of Bank of Singapore Limited, Deputy Chairman of Lion Global Investors Limited, Commissioner of PT Bank OCBC NISP Tbk, Indonesia and Chairman of the Council of the Association of Banks in Singapore. He also serves as a member of the Advisory Committee of the MAS Financial Sector Development Fund, the Council of the Singapore Business Federation, the Advisory Board of the Lee Kong Chian School of Business, the Asia Pacific Bankers Club, and The f-Next Council of the Institute of Banking & Finance. He is on the Board of Trustees of Washington University in St. Louis and Chairman of its International Advisory Council for Asia. Before joining OCBC Bank in 2002, Mr Conner previously worked for more than 25 years with Citibank N.A., where he served as Managing Director and Market Manager for Citibank Japan from 1999 to early 2002.

Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business

Administration from Columbia University, USA.

KOH BENG SENG

Mr Koh was appointed to the Board of the Company on 2 January 2008 and last re-elected as the Company's Director on 15 April 2008. Mr Koh is the Chief Executive Officer of Octagon Advisors Pte Ltd. He is also a Director of Singapore Technologies Engineering Limited, Fraser and Neave, Limited, BOC Hong Kong (Holdings), Bank of China (Hong Kong) Limited, Sing-Han International Financial Services Limited and Japan Wealth Management Securities Inc. He was previously Deputy President of United Overseas Bank Ltd ("UOB") (until 31 January 2005) and a Director of UOB and Far Eastern Bank Ltd (until 15 February 2005). Mr Koh was previously, for 24 years until 1998 with the Monetary Authority of Singapore ("MAS"), his last appointment being Deputy Managing Director, Banking and Financial Institution Group. After he left MAS in 1998, he was an advisor to the International Monetary Fund (from 1998 to 2000) to reform Thailand's financial sector.

Mr Koh holds a Bachelor of Commerce (First Class Hons) from the former Nanyang University, Singapore, and a Master of Business Administration from Columbia University, USA.

LEE SENG WEE

Mr Lee was first appointed to the Board of the Company on 28 September 1999 and last re-appointed as the Company's Director on 15 April 2008. He is a Director of OAC since 2001. He was on the Board of Great Eastern Life (since February 1975) until 15 April 2008. Mr Lee is a Director of OCBC Bank since 1966 and was previously its Chairman from August 1995 to June 2003. He is also a Director of GIC Real Estate Private Limited, Lee Rubber Group of companies and Lee Foundation.

Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario, Canada.



LEE CHIEN SHIH

Mr Lee was first appointed to the Board of the Company on 7 July 2005 and was last re-elected as the Company's Director on 18 April 2006. He is a Director of OAC and was a Director of Great Eastern Life until 15 April 2008. He is a Director of the Lee Rubber Group of companies, Lee Foundation, Bukit Sembawang Estates Limited and West Pacific Medical Services Pte Ltd. He was previously a Director of Frasers Centrepoint Limited.

Mr Lee holds a MBBS from the National University of Singapore.

TAN SRI DATO' DR LIN SEE-YAN

Tan Sri Dato' Dr Lin was first appointed to the Board of the Company on 28 September 1999 and last re-elected as the Company's Director on 15 April 2008. He is also on the Board of OAC. He was a Director of Great Eastern Life until 15 April 2008. He is Chairman of Cabot (Malaysia) Sdn. Bhd. and KrisAssets Holdings Berhad, and a Director of several companies in Singapore, Malaysia and Hong Kong, including The Straits Trading Company Limited, Silverlake Axis

Limited, Fraser & Neave Holdings Berhad, Ancom Berhad, Genting Berhad, Resorts World Berhad, Wah Seong Corporation Berhad, JobStreet Corporation Berhad, and EcoGlove Ltd. He serves as a member of the Prime Minister's Economic Council and National Innovation Council, and member of the National Committee to Transform Higher Education in Malaysia; he is also Pro-Chancellor of Universiti Sains Malaysia, Professor of Economics (Adjunct) of Universiti Utara Malaysia, Professor of Business & International Finance (Adjunct), University Malaysia Sabah, and Economic Advisor to the Associated Chinese Chambers of Commerce and Industry in Malaysia. He is President of the Harvard Club of Malaysia, Regional Director for Asia Harvard Alumni Association, and a Member of Graduate School Alumni Association Council at Harvard University.

Tan Sri Dato' Dr Lin has a BA (Hons) from the University of Malaya in Singapore and holds, from Harvard University, USA, a MPA (Finance), MA (Business Economics) & Ph.D (Economics). He is also a Chartered Statistician, Fellow of the Royal Statistical

Society, London, Fellow (Hon) of the Malaysian Insurance Institute, and Fellow of the Malaysian Institute of Bankers.

PROFESSOR NEO BOON SIONG

Professor Neo was first appointed to the Board of the Company on 23 November 2000 and last re-elected as the Company's Director on 15 April 2008. He is also a Director of OAC. He was a Director of Great Eastern Life until 15 April 2008. He is presently Director of the Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy, National University of Singapore. Professor Neo is also a Director of OCBC Bank, Keppel Offshore & Marine Limited, J.Lauritzen Singapore Private Limited and English Xchange Private Limited, and a Member of Securities Industry Council, Goods and Services Tax Board of Review and Income Tax Board of Review. He was previously Professor and Dean at the Nanyang Business School, Nanyang Technological University, Singapore.

Professor Neo holds a Bachelor of Accountancy (Hons) from the National University of Singapore and

a Master of Business Administration and Ph.D from the University of Pittsburgh, USA.

TAN YAM PIN

Mr Tan was first appointed to the Board of the Company and Great Eastern Life and OAC on 7 January 2005 and last re-elected as the Company's Director on 17 April 2007. Mr Tan is also a non-executive Chairman of Singapore Food Industries Limited, and a Director of Singapore Post Limited, Keppel Land Limited, Blue Scope Steel Limited (Australia) and Leighton Asia Limited (Hong Kong). He is a Member of the Singapore Public Service Commission since 1990. He was previously Chairman of Power Seraya Limited (until early March 2009), a Director of Certis Cisco Security Private Limited (until 1 January 2009) and East Asiatic Company Limited A/S (Denmark) (until end March 2006).

Mr Tan holds a Bachelor of Arts (Hons) from the University of Singapore and a Master of Business Administration from the University of British Columbia, Canada. He is a Fellow of the Canadian Institute of Chartered Accountants, Canada.

KEY EXECUTIVES OF THE GROUP



From left to right

NG KENG HOOI
Group Chief Executive Officer

TAN HAK LEH
Managing Director,
Singapore
Joined Great Eastern in 2005.
Responsible for driving and
growing insurance business
(including life, group and general
insurance) and for the bottom
line of GEL and OAC
in Singapore.

Qualifications: *Fellow of the
Institute of Actuaries, UK; BSc
Hons, Heriot-Watt University, UK*

HO MING HENG
Managing Director,
Operations & IT
Joined Great Eastern in 2008.
Responsible for the Group's
operations in the insurance value
chain starting from New Business
Underwriting to Claims. Also
responsible for the development of
IT within the Group. Was formerly
the Chief Executive Officer of CIMB
Aviva in Malaysia.
Qualifications: *BSc Hons in
Computer Systems and Electronics
Engineering, London University, UK*



LOH SOOK MEE (MRS)

Managing Director, Finance & Corporate Affairs

Joined Great Eastern in 1997. Responsible for statutory and regulatory financial reporting for the Singapore operations and the Group, as well as Group financial control and governance, regional actuarial, and capital management. Responsible for real estate portfolio management and performance. Also responsible for driving certain strategic projects.

Qualifications: *B Accountancy, University of Singapore; FCPA, Institute of Certified Public Accountants of Singapore*

TAN CHING GUEI

Managing Director, Strategy & Strategic Partnerships

Joined Great Eastern in 2003. Responsible for the strategic planning process of the Group.

Qualifications: *BEng Hons (Civil), National University of Singapore; MBA (Accountancy), Nanyang Technological University; Chartered Financial Analyst; CPA, Institute of Certified Public Accountants of Singapore*

CHIANG BOON KONG

Managing Director, Group Human Capital

Joined Great Eastern in 1997. Responsible for the change programmes and development of human capital within the Group.

Qualifications: *BBA (1st Class Honours), National University of Singapore*

ALEX FOONG

Chief Executive Officer, Great Eastern Capital (Malaysia) Sdn Bhd

Joined Great Eastern in 1996. Responsible for overseeing the corporate affairs of the Group's operations in Malaysia. Was CEO of GELM from 1996 to 2007.

Qualifications: *Bachelor of Science (Hons) in Mathematics, University of Malaya; Master of Actuarial Science, Northeastern University, USA; Fellow of Society of Actuaries, USA; Fellow of Life Management Institute, USA; Member of American Academy of Actuaries, USA*

KOH YAW HUI

Chief Executive Officer, Great Eastern Life Assurance (Malaysia) Bhd

Joined Great Eastern in 2002. Responsible for the operations and bottom line of GELM.

Qualifications: *Bachelor of Social Science (Hons) in Economics, Universiti Sains Malaysia; Fellow of Life Management Institute, USA; Registered Financial Planner (RFP)*

NG KOK KHENG

Chief Executive Officer, Overseas Assurance Corporation (Malaysia) Bhd

Joined Great Eastern in 2002. Responsible for the operations and bottom line of OACM. Was previously with RHB Insurance Berhad.

Qualifications: *MSc, Universiti Putra Malaysia; BEng (Civil), RMIT University, Australia; Member of the Malaysian Insurance Institute*

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Great Eastern Holdings Limited (“GEH” or the “Company”) place great importance on high standards of corporate conduct, and are committed to good corporate governance and integrity in the business operations and dealings of the Company and its subsidiaries (collectively, the “Group”). The Company adopts corporate governance practices which are in conformity with the Singapore Code of Corporate Governance 2005 (the “Code”).

This report describes the Company’s corporate governance practices with specific reference to the principles and guidelines of the Code as required under the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board’s decision making.

Board Composition

The Company’s present Board of ten Directors comprises a non-executive Chairman, Mrs Fang Ai Lian, eight other non-executive Directors and an executive Director who is the Group Chief Executive Officer (“Group CEO”), Mr Ng Keng Hooi. The other eight non-executive Directors are Dr Cheong Choong Kong, Mr David Conner, Mr Koh Beng Seng, Mr Lee Seng Wee, Mr Lee Chien Shih, Tan Sri Dato’ Dr Lin See-Yan, Professor Neo Boon Siong and Mr Tan Yam Pin.

In 2008, two Directors stepped down from the Board – Mr Michael Wong Pakshong, the former Chairman who retired at the Company’s annual general meeting (“AGM”) on 15 April 2008 and did not seek re-appointment as a Director, and Mr Tan Beng Lee, the former Group CEO who retired on 31 December 2008 and stepped down from the Board. Three new Directors were appointed in 2008 – Mrs Fang Ai Lian (appointed as Director on 1 April 2008 and as Chairman on 15 April 2008), Mr Koh Beng Seng (appointed as Director on 2 January 2008) and Mr Ng Keng Hooi (appointed as Director on 1 December 2008).

The Board members of the Company are from diverse backgrounds and qualifications, and bring a wide range of commercial and financial experience to the Board. Collectively they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company and the Group, including industry knowledge in insurance and actuarial science and knowledge in banking, finance, management, accounting, investment and asset management, consumer marketing, real estate and property development. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities.

The Board, through its Nominating Committee, periodically reviews the Board composition to ensure that the Board retains or enhances its effectiveness, taking into account, inter alia, the necessary balance of Board competencies and Board size for effective decision making, and nature and scope of the operations of the Company and the Group.

Board independence

The Code requires that at least one-third of the Board consist of independent Directors, in particular independent from Management so as to be able to exercise objective and independent judgement on the Company's corporate affairs.

The Company's Board has a majority of independent Directors. The Nominating Committee determines annually whether a Director is independent. Taking into consideration the guidelines set out in the Code as regards what constitutes an independent director, the Nominating Committee had determined that the Company's independent Directors are: Mrs Fang Ai Lian, Mr Koh Beng Seng, Mr Lee Seng Wee, Mr Lee Chien Shih, Tan Sri Dato' Dr Lin See-Yan, Professor Neo Boon Siong and Mr Tan Yam Pin.

Board responsibilities and accountability

The Company's Board provides strategic direction to the Company and the Group and its principal role and functions include the following:

- review and approve the Group's strategic direction, overall policies, long term goals and financial objectives, business plans and annual budget;
- provide Board oversight over the business affairs and review the financial performance of the Company and the Group;
- provide oversight over the setting of the Company's values and standards with emphasis on the Company's core value of integrity and proper conduct of the Company's business affairs at all times and good corporate governance practices;
- oversee the establishment of frameworks for adequate, prudent and effective internal controls and processes and effective risk assessment and management;
- oversee the succession planning for key senior executive positions within the Group and responsible for the selection and appointment of the Group CEO;
- approve major corporate activities, initiatives and transactions of a significant nature; and
- monitor management performance.

G 1.5 The Company has adopted internal guidelines on matters which require Board approval. Matters requiring Board's approval include overall business strategy and direction, significant policies governing the operations of the Group, strategic or significant acquisitions, investments and divestments by the Group, corporate restructuring, major corporate initiatives and other Group activities of a significant nature, dividend policy and dividend declaration, the quarterly and year-end financial reporting and announcement of financial results and financial statements of the Company and the Group.

The Board meets regularly during the year, to review the business performance and key activities of the Group presented by

Management, and to consider business proposals of a significant nature. Decisions are taken objectively in the interests of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board. In 2008 the Board held a total of nine meetings and the Directors' attendance at such meetings is disclosed in this Report. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Articles of Association.

G 1.3 Board Committees

The Board has established a number of Board committees ("Board Committees") to assist it to carry out more effectively its oversight of the operations and business affairs of the Company and the Group. These Board Committees consist of the Nominating Committee, Remuneration Committee, Audit Committee, Executive Committee and the Risk and Investment Committee. All the Board Committees had been constituted with clear Board-approved written terms of reference.

The Company's Board Committees in carrying out their responsibilities in accordance with their respective terms of reference are also actively engaged in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the roles and principal responsibilities of the Board Committees are set out in the relevant sections on the respective Board Committees in this Report.

G 1.4 Meetings and Directors' attendance

The number of meetings of the Board and Board Committees held in 2008 and the attendance of the Directors at those meetings are tabulated below. There were more meetings of the Board Committees held in 2008, including several ad hoc meetings, compared with the previous year, for the reasons explained in the relevant sections on the respective Board Committees in this Report.

Directors' attendance at Board and Board Committee meetings in 2008

Name of Director	Board No. of Meetings		Nominating Committee ("NC") No. of Meetings			Audit Committee ("AC") No. of Meetings		
	Scheduled	Ad hoc	Scheduled	Ad hoc	attended	Scheduled	Ad hoc	
	held	attended	held	attended	attended	held	attended	attended
Fang Ai Lian ⁽¹⁾ Chairman	7	7	1	1	7	3	3	2
Cheong Choong Kong ⁽²⁾	9	9	2	2	8	-	-	-
David Conner ⁽³⁾	9	8	-	-	-	-	-	-
Koh Beng Seng ⁽⁴⁾	9	8	-	-	-	-	-	-
Lee Seng Wee	9	9	2	2	8	-	-	-
Lee Chien Shih ⁽³⁾	9	9	-	-	-	-	-	-
Tan Sri Dato' Dr Lin See-Yan	9	9	-	-	-	4	4	2
Professor Neo Boon Siong ⁽⁵⁾	9	8	-	-	-	4	4	2
Ng Keng Hooi ⁽⁶⁾	1	1	-	-	-	-	-	-
Tan Beng Lee ⁽⁷⁾	9	9	-	-	-	-	-	-
Tan Yam Pin	9	9	2	2	8	4	4	2
Michael Wong Pakshong ⁽⁸⁾	3	3	1	1	1	1	1	1

Specific Guidelines in the Code on disclosure in the Annual Report:

G 1.3 – Guideline 1.3 of the Code: Disclosure on delegating of authority by Board to Board Committees to make decisions on certain Board matters.

G 1.4 – Guideline 1.4 of the Code: No. of Board and Board Committee meetings held in the year, and attendance of every Director.

G 1.5 – Guideline 1.5 of the Code: Disclosure of material transactions requiring board approval under internal guidelines.

Directors' attendance at Board and Board Committee meetings in 2008 (continued)

Name of Director	Remuneration Committee ("RC") No. of Meetings			Executive Committee ("Exco") No. of Meetings			Risk & Investment Committee ("RIC") No. of Meetings			Ad hoc Board Committee No. of Meetings
	Scheduled		Ad hoc	Scheduled		Ad hoc	Scheduled		Ad hoc	Scheduled
	held	attended	attended	held	attended	attended	held	attended	attended	held and attended
Fang Ai Lian ⁽¹⁾ <i>Chairman</i>	2	2	1	4	4	2	4	4	5	–
Cheong Choong Kong ⁽²⁾	1	1	–	6	6	2	–	–	–	–
David Conner ⁽³⁾	2	2	1	6	6	2	6	6	5	–
Koh Beng Seng ⁽⁴⁾	2	1	1	–	–	–	4	4	5	3
Lee Seng Wee	–	–	–	–	–	–	–	–	–	–
Lee Chien Shih ⁽³⁾	2	2	1	–	–	–	–	–	–	–
Tan Sri Dato' Dr Lin See-Yan	–	–	–	–	–	–	–	–	–	–
Professor Neo Boon Siong ⁽⁵⁾	3	2	1	–	–	–	2	2	–	–
Ng Keng Hooi ⁽⁶⁾	–	–	–	–	–	–	–	–	–	–
Tan Beng Lee ⁽⁷⁾	–	–	–	6	6	2	6	6	4	3
Tan Yam Pin	–	–	–	6	6	2	–	–	–	3
Michael Wong Pakshong ⁽⁸⁾	1	1	–	2	2	–	2	2	–	–

Notes: The number of meetings indicated in "held" above reflects the number of meetings held during the time the respective Director held office.

Total number of ad hoc meetings held in 2008 – NC: 8, AC: 2, RC: 1, Exco: 2, RIC: 5.

⁽¹⁾ Appointed as Director with effect from 1 April 2008, as Chairman with effect from 15 April 2008, and as Chairman of NC, RC, Exco and RIC and as Member of AC with effect from 15 April 2008.

⁽²⁾ Stepped down as Member of RC with effect from 15 April 2008.

⁽³⁾ Appointed as Member of RC with effect from 15 April 2008.

⁽⁴⁾ Appointed as Director with effect from 2 January 2008 and as Member of RC & RIC with effect from 15 April 2008.

⁽⁵⁾ Stepped down as Member of RIC with effect from 15 April 2008.

⁽⁶⁾ Appointed as Director & Group CEO with effect from 1 December 2008 and as Member of Exco and RIC with effect from 2 December 2008.

⁽⁷⁾ Retired with effect from 31 December 2008 and stepped down as Director of Board and as Member of Exco and RIC with effect from 31 December 2008.

⁽⁸⁾ Retired at Company's AGM on 15 April 2008 without seeking re-appointment as Director; ceased to be Chairman of NC, RC, Exco and RIC and Member of AC with effect from 15 April 2008.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

G 3.1 The position and role of the Company's Chairman Mrs Fang Ai Lian and the Group CEO Mr Ng Keng Hooi are distinct and separate, with clear division of responsibilities between them. The Chairman and the Group CEO are not related to each other.

The Chairman Mrs Fang Ai Lian is an independent and non-executive Director. Her principal responsibilities include leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between executive and non-executive Directors and between the Board and Management and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

The Group CEO manages the Company and oversees the Group's operations and implementation of the Group's strategies, plans

and policies to achieve the planned corporate performance and financial goals. His management of the Group's businesses, including implementing the Board's decisions, is carried out with the assistance of the senior management executives of the Group. Collectively they are responsible for the day-to-day operations and administration of the Company and the Group, ensuring, inter alia, operational and organisational efficiency, profit performance of the operating units, regulatory compliance, good corporate governance and effective risk management.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

NOMINATING COMMITTEE

G 4.1 The Company's Nominating Committee at the date of this report comprises four Directors, being Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Mr Lee Seng Wee and Mr Tan Yam Pin. The majority of the members of the Nominating Committee, including the Chairman, are non-executive and independent Directors. The responsibilities of the Nominating Committee are set out in its Board-approved terms of reference. The Chairman of the Nominating Committee is not associated with a substantial shareholder of the Company.

Specific Guidelines in the Code on disclosure in the Annual Report:

G 3.1 – Guideline 3.1 of the Code: Disclosure of relationship between the Chairman and CEO where they are related to each other.

G 4.1 – Guideline 4.1 of the Code : Composition of Nominating Committee.

Process for appointment of new Directors

- G 4.5 The Nominating Committee has a key role in carrying out the formal and transparent process established for the appointment of new Directors to the Board. Proposals for the appointment of new Directors are reviewed by the Nominating Committee. The Nominating Committee meets with the short-listed candidates to assess their suitability and commitment. Competent individuals are nominated for Board approval after the Nominating Committee has assessed their suitability taking into consideration their professional qualifications, integrity, financial and commercial business experience and field of expertise relevant to the Group, potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board.

Upon the appointment of a new Director, the newly-appointed Director is apprised by the Group Company Secretary of the relevant statutory obligations and principal regulatory responsibilities of a Director. Management will also arrange an induction programme to brief new Directors on the Group's principal activities, in particular the insurance business. Further details of such induction programme are set out in the section on "Access To Information" in this Report. The Company constantly reviews and improves on the contents of such briefings to new Directors to enable the new Directors to have a more comprehensive understanding of the Group, the insurance business and practices and the Group's financial statements.

Re-nomination of Directors

The Nominating Committee also has the responsibility of re-nomination of Directors. All Directors of the Board are required to submit themselves for re-nomination and re-election at regular intervals, at least once every three years. At each AGM of the Company, one-third of the Directors are required to retire by rotation in accordance with the Company's Articles of Association, being one-third of those who have been longest in office since their last re-election. Such retiring Directors are eligible for re-election when re-nominated by the Nominating Committee, taking into account the Directors' attendance at meetings, their expertise, knowledge and commitment, and their contributions to Board discussions and to the effectiveness of the Board.

The Nominating Committee reviews annually whether Directors who have multiple board representations have demonstrated satisfactory time commitment and have carried out their duties adequately as the Company's Directors during the year.

The Nominating Committee held a total of ten meetings in 2008 (including eight ad hoc meetings). Most of the additional meetings related to scheduled interviews of potential candidates for the Group CEO position to succeed the then Group CEO Mr Tan Beng Lee who was due for retirement at end of 2008. The Nominating Committee also interviewed short-listed candidates for other key senior management positions, such as that of the Managing Director, Operations as the incumbent was also due for retirement at end of 2008.

Key information on Directors

- G 4.6 Key information regarding the Directors, including their academic and professional qualifications, date of first appointment as

Directors, date of last re-election or re-appointment as Directors of the Company, other directorships or chairmanships both present and held over the preceding three years in other listed companies and other major appointments are disclosed in the Company's Annual Report. Details of Board Committees that the Directors served on are disclosed in this Report. Directors' interests in shares and share options in the Company and in the Company's parent company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") and other related corporations are disclosed in the Directors' Report. The Company does not grant share options to non-executive Directors of the Company. The Directors do not hold shares in the Company's subsidiaries.

BOARD PERFORMANCE

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

- G 5.1 The Board has implemented formal processes for assessing the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board. The Nominating Committee oversees the annual assessment process, which consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees and conducts a self-assessment and a peer-assessment of the other members of the Board.

Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year, with relevant updates for 2008. An independent consultant was appointed by the Nominating Committee to facilitate this evaluation process and to assist in collating and analysing the returns and feedback of the Directors.

The Board has found that such individual assessments by the Directors are useful and constructive since the implementation of such evaluation process several years ago. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board.

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board members are provided with relevant information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. In respect of matters for approval, information furnished by Management usually include background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, the budget if applicable and Management's recommendation. The senior management executives who can provide additional

Specific Guidelines in the Code on disclosure in the Annual Report:

G 4.5 – Guideline 4.5 of the Code : Selection and appointment process of new directors on Board.

G 4.6 – Guideline 4.6 of the Code : Key information regarding Directors.

G 5.1 – Guideline 5.1 of the Code : Process for assessing effectiveness of Board and contribution of each Director.

information and insight or provide clarifications to queries raised are usually present at the meeting during discussion on such matters. Occasionally external consultants engaged on specific projects may also be invited to brief the Board.

Information furnished to the Board on an on-going basis include the monthly Group financials and the quarterly reports on the financial results and performance of the Group and principal subsidiaries within the Group, with explanations of material variances between actual results and the business plan/budget.

The Directors are continually updated on relevant regulatory changes, in particular, those affecting the insurance industry. From time to time, the Company organises talks, or seminars by external professionals, consultants or advisers on topics relevant to the insurance industry, and to provide updates on development in the industry locally and in other developed countries. Continued training and development programmes for Directors are more flexible and Directors may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other external professional organisations.

In 2008, the training and development programmes organised for Directors included a seminar, assisted by professional consultants, on technical update on Solvency II and on the latest developments in International Financial Reporting Standards applicable to the Group. A two-day induction programme was also organised for newly-appointed Directors, consisting of briefings by various senior management executives and covering a number of presentations to the new Directors including on the Groups' key strategies, focus and challenges, the Group's principal businesses in life and general insurance in the established markets in Singapore and Malaysia and life business in new markets in China, Indonesia and Vietnam, asset management and financial advisory, the Group's organisation and structure, bases of accounting adopted by the Group, risk management, human resource policies and practices and information technology used.

Directors have separate and independent access to the Group Company Secretary and to other senior management executives of the Company and of the Group at all times.

The Group Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable rules and regulations are complied with, including requirements of the Companies Act, Securities and Futures Act and Listing Manual of SGX-ST. Her responsibilities include ensuring good information flows between the Board and senior management, and assisting the Chairman and the Board in implementing and strengthening corporate governance practices and processes.

The Directors take independent professional advice as and when necessary to enable them, in particular the independent Directors, to discharge their respective duties effectively; the cost of such professional advice is borne by the Company and/or the Group, as applicable.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

REMUNERATION COMMITTEE

G 9.1 The Company's Remuneration Committee at the date of this report comprises five non-executive Directors – namely Mrs Fang Ai Lian (Chairman), Mr David Conner, Mr Koh Beng Seng, Mr Lee Chien Shih and Professor Neo Boon Siang. The majority of the Remuneration Committee members, including the Chairman, are independent Directors.

The Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors and senior management executives. The responsibilities of the Remuneration Committee are set out in its Board-approved terms of reference.

The principal responsibilities of the Company's Remuneration Committee are as follows:

- (1) recommending to the Board for endorsement a framework of Directors' fees, as well as remuneration of executive Directors and the senior management executives. For executive Directors and senior management, the framework covers all aspects of remuneration including salaries, allowances, bonuses, share options and other incentives and benefits;
- (2) recommending specific remuneration package for the Group CEO and respective CEOs of the Company's principal insurance subsidiaries; and
- (3) ensuring that the Group's remuneration policies and practices are sound and the remuneration packages are appropriate to attract, retain and motivate the executive Director and senior management executives without being excessive.

Specific Guidelines in the Code on disclosure in the Annual Report:

G 9.1 – Guideline 9.1 of the Code: Composition of Remuneration Committee.

The Remuneration Committee members are knowledgeable in the field of executive compensation, and also have access to expert advice from external independent compensation consultants, where necessary.

Remuneration of non-executive Directors

The non-executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at meetings and the frequency of meetings, the respective responsibilities of the Directors including on the Board Committees they serve, market practices and the need to pay competitive fees to attract, retain and motivate the Directors. No Director is involved in deciding his own remuneration.

The Remuneration Committee performs an annual review of the fee structure for Directors' fees and recommends any proposed changes to the Board for endorsement and approval. The aggregate Directors' fees based on the Board-approved fee structure are reviewed by the Remuneration Committee and submitted for approval by the Board. The Directors' fees proposed by the Board each year are subject to shareholders' approval at the Company's AGM.

The following is the Board-approved fee structure for non-executive Directors of the Company in respect of the financial year ended 31 December 2008 ("FY2008") which is identical to the fee structure in respect of the financial year ended 31 December 2007 ("FY2007") :

Board

- Annual fee for Chairman : \$100,000
- Annual fee for other member : \$50,000

Board Committees

- Annual fee for Chairperson : \$40,000 for Audit Committee, Executive Committee, Risk and Investment Committee; \$25,000 for Nominating Committee, Remuneration Committee.
- Annual fee for other Committee Member : \$20,000 for Audit Committee, Executive Committee, Risk and Investment Committee; \$15,000 for Nominating Committee, Remuneration Committee.
- Fee for Chairperson and member of Ad hoc Board Committee: \$10,000 and \$5,000 respectively.

Attendance fee: \$2,000 per Board or Board Committee meeting. The attendance fee is paid to non-executive Directors to recognise their commitment and time spent in attending meetings.

Remuneration policy in respect of Executive Director and key senior management executives

The objective of the remuneration policy is to attract, motivate, reward and retain quality personnel. The Group CEO, being an executive Director of the Company, is not paid Directors' fee, but receives a remuneration package comprising a basic component and a variable performance-related component. The remuneration of the Group CEO, the respective CEOs of the Company's principal insurance subsidiaries and the key senior management executives who report directly to the Group CEO are reviewed annually by

the Remuneration Committee, based on the overall remuneration framework approved by the Board.

In its annual review of the remuneration package of the Group CEO and the senior management executives, the Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration is commensurate with individual performance and contribution.

The basic component of the remuneration package comprises the basic salary, payable on a monthly basis. The variable components of the remuneration comprise the performance-based variable bonus and the long term incentives, generally paid/awarded once a year, and have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company and approved by the Remuneration Committee and the Board.

In awarding the long term incentives including the grant of share options to senior executives, the Remuneration Committee also takes into account such senior executives' potential for future development and contribution to the Group.

The annual budget for salary increment, performance-related variable bonus and long term incentives, reviewed and approved by the Remuneration Committee, is submitted to the Board for endorsement and approval.

The Remuneration Committee held a total of four meetings in 2008, including a meeting to deliberate on and to recommend a suitable remuneration package for the candidate nominated by the Nominating Committee for the position of Group CEO, for approval of the Board.

Share option scheme

The Company does not grant share options to Members of the Remuneration Committee or the non-executive Directors of the Company.

G 9.4 In 2008 (as in the previous few years), no share options had been granted pursuant to the Great Eastern Holdings Executives' Share Option Scheme. Instead, the Company's holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 ("OCBC Scheme") to selected senior executives of the GEH Group, including the Group CEO, based on recommendations of GEH's Remuneration Committee. Details of options granted to the Group CEO are disclosed in the financial statements; details of the OCBC Scheme are set out in OCBC Bank's Annual Report.

Disclosure on Directors' remuneration

G 9.2 The total Directors' remuneration in respect of FY2008 is disclosed in the financial statements (in the notes to the financial statements). Non-executive Directors will be paid Directors' fees, totalling to \$1,071,000 in respect of FY2008, subject to approval at the Company's AGM. The amount of Directors' fees for FY2008 is about the same as the amount of Directors' fees for FY2007, despite there being in FY2008 (a) one more Board Committee

Specific Guidelines in the Code on disclosure in the Annual Report:

G 9.2 – Guideline 9.2 of the Code: Directors' remuneration within bands of \$250,000, and breakdown of composition of remuneration in percentage terms.

Also to disclose names and remuneration of the top five key executives (who are not Directors), in bands of \$250,000.

G 9.4 – Guideline 9.4 of the Code: Details of employee share schemes.

(the Executive Committee), (b) appointment of one more Director and (c) more Board and Board Committee meetings held. The Directors' fees for FY2008 have been maintained at the FY2007 level as the Directors have agreed to waive 18% of their fees in total, in view of the current economic downturn and tight expense management by the Company and the Group.

The level and mix of each Director's remuneration, in percentage terms and in remuneration bands of \$250,000 are as set out below:

	Directors' fees %	Base/ fixed salary %	Variable or performance- related bonus %	Long ⁽¹⁾ term incentives %	Other ⁽²⁾ Benefits %	Total %
Non-Executive Directors						
\$250,000 to \$499,999						
Fang Ai Lian	76	–	–	–	24	100
Below \$250,000						
Cheong Choong Kong	100	–	–	–	–	100
David Conner ⁽³⁾	100	–	–	–	–	100
Koh Beng Seng	100	–	–	–	–	100
Lee Seng Wee	100	–	–	–	–	100
Lee Chien Shih	100	–	–	–	–	100
Tan Sri Dato' Dr Lin See-Yan	100	–	–	–	–	100
Professor Neo Boon Siong	100	–	–	–	–	100
Tan Yam Pin	100	–	–	–	–	100
Michael Wong Pakshong ⁽⁴⁾	76	–	–	–	24	100
Executive Directors						
\$2,000,000 to \$2,249,999						
Tan Beng Lee ⁽⁵⁾	–	43	26	20	11	100
\$500,000 to \$749,999						
Ng Keng Hooi ⁽⁶⁾	–	12	–	–	88	100

- ⁽¹⁾ Include fair value of grant of share options ("Options") under OCBC Scheme and award of deferred shares ("Deferred Shares") under OCBC Deferred Share Plan.
⁽²⁾ Non cash components, include car benefits, club and other benefits.
⁽³⁾ Directors' fee attributable to Mr David Conner is paid to OCBC Bank.
⁽⁴⁾ Mr Michael Wong Pakshong retired from the Board with effect from 15 April 2008.
⁽⁵⁾ Mr Tan Beng Lee retired as Group CEO and also resigned as Director with effect from 31 December 2008. In 2008, he was granted 120,000 Options at exercise price of \$7.52 per share, and awarded 105,344 Deferred Shares.
⁽⁶⁾ Mr Ng Keng Hooi was appointed a Director with effect from 1 December 2008.

- G 9.2** After careful consideration, the Company decided not to disclose information on the names and remuneration of the top five key management executives as the disadvantages to the Group's business interests would far outweigh the benefits of such disclosure, in view of the disparities in remuneration in the industry and the competitive pressures that are likely to result from such disclosure.
- G 9.3** The remuneration of an employee of the Group, who is an immediate family member of the Company's former Chairman (who retired on 15 April 2008) is within the remuneration band of \$250,000 to \$499,999 for FY2008.

Specific Guidelines in the Code on disclosure in the Annual Report:

G 9.2 – Guideline 9.2 of the Code: Directors' remuneration within bands of \$250,000, and breakdown of composition of remuneration in percentage terms.

Also to disclose names and remuneration of the top five key executives (who are not Directors), in bands of \$250,000.

G 9.3 – Guideline 9.3 of the Code: Remuneration of employees who are immediate family members of a Director or the CEO and whose remuneration exceed \$150,000 during the year.

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing to shareholders a balanced and understandable assessment of the performance of the Company and the Group, position and prospects, including furnishing financial statements and other reports.

The Board provides to shareholders, on a quarterly basis, the financial statements of the Company and the Group for the first, second and third quarters of the year and for the full year, as applicable, together with a balanced review of the Company's performance, position and prospects. These financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET to the SGX-ST. After making such announcements, the information is also made available in press releases and on the Company's website. The Company's Annual Report is sent to all shareholders and the contents are also accessible from the Company's website.

To keep the Board members informed and updated, Management provides the Board with regular financials which contain financial updates on the performance and position of the Group. The Board is also updated on any significant events that have occurred in or affecting the industry during the year.

AUDIT COMMITTEE

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

G11.8 Audit Committee

The Audit Committee at the date of this report comprises four Directors who are all non-executive and independent Directors, being Mr Tan Yam Pin (Chairman), Mrs Fang Ai Lian, Tan Sri Dato' Dr Lin See-Yan and Professor Neo Boon Siong. Members of the Audit Committee are appropriately qualified to discharge their responsibilities. Three members of the Audit Committee have accounting, auditing and financial management knowledge and experience. They are Mr Tan Yam Pin, Mrs Fang Ai Lian and Professor Neo Boon Siong.

The Audit Committee carries out functions prescribed in Section 201B(5) of the Companies Act, Chapter 50 and in the Code, and operates within Board-approved written terms of reference which set out the Audit Committee's authority and duties.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, and has full access to and the co-operation of Management. The Audit Committee has full discretion to invite any Director or senior management executives to attend its meetings. It has resources to enable it to discharge its functions properly.

G11.8 The functions performed by the Audit Committee and details of the Audit Committee's activities during the FY2008 included the following:

1. Reviewed with the internal and external auditors –
 - 1.1 their audit plans, their evaluation of the system of internal controls and their audit reports;
 - 1.2 the scope and results of the internal audit procedures; and
 - 1.3 the assistance given by the officers of the Company and the Group to the auditors.
2. Reviewed with the external auditors –
 - 2.1 the audited financial statements of the Company and the Group for the financial year for submission to the Board for consideration and approval thereafter;
 - 2.2 their scope and overall audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them;
 - 2.3 the implications and impact on the financial statements of proposed implementation of new financial reporting standards and any changes in accounting policies and regulatory requirements; and
 - 2.4 any significant financial reporting issues, to ensure the integrity of the financial statements of the Company and the Group, and reviewed the draft announcement relating to the financial performance of the Company and the Group.
3. Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company and its principal subsidiaries, including internal financial controls, operational and compliance controls and systems established by Management.
4. Reviewed the effectiveness of the internal audit functions of the Company and its principal subsidiaries.
5. Performed the annual review of the independence of the external auditors.
6. Made recommendations to the Board on the re-appointment of the external auditors, and approved the remuneration and terms of engagement of the external auditors.

The Group has also instituted a whistle-blowing policy under which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

The Audit Committee held a total of six meetings in 2008, including two ad hoc meetings principally to consider financial and accounting issues that arose as a result of the impact of the global financial crisis and market meltdown. Members' attendance at the Audit Committee meetings is disclosed in this Report. The internal and external auditors were present at the Audit Committee meetings and the Group CEO and certain senior management

executives including the MD, Finance and Corporate Affairs were also present.

The Audit Committee, in performing its functions, has met at least annually with the internal and external auditors without the presence of Management. The auditors, both internal and external, have unrestricted access to the Audit Committee.

INTERNAL CONTROLS

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Management has set up and maintained a sound system of internal controls to safeguard shareholders' investments and the assets of the Company and the Group.

Both internal and external auditors of the Company conduct reviews annually of the effectiveness of the internal controls of the Company and the Group, including financial, operational and compliance controls. Any material weaknesses or non-compliance in internal controls are reported to the Audit Committee, with recommendations for improvement.

G12.2 In the course of performing its functions during the financial year, including the review of the adequacy of the internal controls with internal and external auditors, the Audit Committee is satisfied with the adequacy of the internal controls established, including the financial, operational and compliance controls (The adequacy of the risk management systems is under the purview of the Company's Risk and Investment Committee).

INTERNAL AUDIT

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The internal audit function is independent of the activities it audits. The terms of reference of the Internal Audit are approved by the Audit Committee. The Head of the Group Internal Audit's primary line of reporting is to the Chairman of the Audit Committee, although reporting administratively to the Group CEO. The Internal Audit Department is staffed by suitably qualified executives, and the Audit Committee ensures that the internal audit function is adequately resourced.

During the year, Group Internal Audit carried out audits on selected significant business units in the Group, including audit review of the IT systems. Group Internal Audit's summary of major findings and recommendations and Management's related responses were discussed at the Audit Committee meetings. The Audit Committee also reviews annually the adequacy of the internal audit function.

Specific Guidelines in the Code on disclosure in the Annual Report:

G 11.8 – Guideline 11.8 of the Code: Composition of Audit Committee and details of Committee's activities.

G 12.2 – Guideline 12.2 of the Code: Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.

RISK AND INVESTMENT COMMITTEE AND RISK MANAGEMENT

The Risk and Investment Committee at the date of this report comprises four Directors. They are Mrs Fang Ai Lian (Chairman), Mr David Conner, Mr Koh Beng Seng and Mr Ng Keng Hooi.

The Risk and Investment Committee assists the Board in monitoring the effectiveness and adequacy of the risk management processes and systems set up by the Company and its principal subsidiaries.

The Risk and Investment Committee reviews the overall risk management framework and performs its functions pursuant to its Board-approved terms of reference. Such terms of reference include the overview and periodic review of policies on asset-liability and investment management, overview on enterprise risk management, major risk management initiatives and approval of significant investment, property and other financial transactions that exceed the authorisation limits of the Management Committees that the Risk and Investment Committee oversees – the Group Asset-Liability Committee and the Singapore Credit Risk Committee. Investment-related activities and transactions of material consequence are reviewed and approved by the Risk and Investment Committee and reported to the Board for information or for endorsement or approval, as applicable.

The Risk and Investment Committee held a total of eleven meetings during the year including five ad hoc meetings. Such ad hoc meetings were held primarily to review, assess and to mitigate where possible the impact of the global financial crisis and market meltdown on the investments, taking into consideration the prevailing changes in the financial and economic environment.

The Group's risk governance, risk management objectives and policies and other pertinent details are disclosed in the notes to the financial statements.

EXECUTIVE COMMITTEE

The Executive Committee was established in January 2008. Its members at the date of this report comprise Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Mr David Conner and Mr Ng Keng Hooi.

The Executive Committee carries out the functions set out in its Board-approved terms of reference. Such functions consist principally of overseeing the management of the business and affairs of the Company and the Group within the parameters and authority grid delegated by the Board, and include review of the Group's policies, strategies, objectives and performance targets, proposed transactions or initiatives of a material nature and any major proposed investment or divestment. Major decisions of the Executive Committee are submitted to the Board for endorsement and approval.

The Executive Committee held a total of eight meetings during the year, including two ad hoc meetings, primarily to assess and consider alternatives to mitigate the impact of the global financial crisis and economic downturn on the business.

AD HOC BOARD COMMITTEE

An Ad hoc Board Committee was set up in early 2008 to consider a potential interested person transaction issue arising out of a takeover offer for one of the Group's core investments. As subsequent events rendered the issue inapplicable, the Ad hoc Board Committee was dissolved thereafter.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company places great importance on regular, effective and fair communication with shareholders. The Company makes quarterly announcements of the financial results of the Company and the Group within the time frame prescribed in the Listing Manual of the SGX-ST; balanced and comprehensive assessments of the performance and position of the Company and the Group are furnished where applicable. Pertinent material information is disclosed on a comprehensive and timely basis via SGXNET and no unpublished price-sensitive information is disclosed to a selected group.

The Company's Annual Report containing the financial statements of the Company and the Group for the financial year also contains other pertinent information and disclosures including a review of the annual operations and activities, to enable shareholders and investors to have a better understanding of the Group's business and performance. The Company's Annual Report is also available on the Company's website, together with announcements made via the SGXNET on the Group's quarterly and full-year financial results and other pertinent announcements and disclosures, including dividend declaration, notice of books closure and notice of AGM.

Shareholders and the public can access the website of the Company for information, media releases and other corporate information on the Company. The Company has investor relations personnel who communicate with the Company's investors and attend to their queries on published information.

The Company's Annual Report containing the notice of AGM is sent to every registered shareholder of the Company before the AGM with the requisite notice of the AGM. Notice of the AGM is also announced by the Company via the SGXNET, and published in one of the Singapore newspapers. At the AGM, shareholders are given the opportunity to put forth any questions they may have or to seek clarifications on the Company's financial statements or on the resolutions to be passed at the AGM. Shareholders may vote in person at the Company's AGM or at any extraordinary general meeting ("EGM") or by proxy if they are unable to attend. The Company's Articles of Association provide that shareholders may appoint one or two proxies to attend the Company's AGM and/or EGM and to vote in their stead.

For the Company's AGM, separate resolutions are set out on distinct

issues, such as the proposed re-appointment or re-election of Directors, proposed Directors' fees and recommendation of final dividend, for approval by the shareholders at the AGM. For the Company's EGM, the proposed corporate action or transaction, as applicable, and the rationale and other pertinent details for such proposal are set out in a separate circular to shareholders, with the proposed resolution set out for approval by shareholders at the EGM.

At the Company's AGM, the Board members and the chairpersons of all Board Committees are present and available to address queries from shareholders. The external auditors are also present to address any shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

MANAGEMENT COMMITTEES GROUP MANAGEMENT TEAM, GROUP ASSET-LIABILITY COMMITTEE

The following Management Committees, which are not Board committees, have been set up by the Company to enhance senior management's overview and review of the Group's operations and the Group's risk governance and management.

The Group Management Team ("GMT"), chaired by the Group CEO, consists of key senior management executives of the Company and the Company's principal insurance subsidiaries in Singapore – Great Eastern Life Assurance Company Limited ("Great Eastern Life") and Overseas Assurance Corporation Limited ("OAC"), and in Malaysia – Great Eastern Life Assurance (M) Bhd ("GELM") and Overseas Assurance Corporation (M) Bhd ("OACM"). The GMT members include the MD (Singapore), MD (Finance & Corporate Affairs), MD (Strategy & Strategic Partnerships), MD (Operations and Information Technology), MD (Group Human Capital), Group Company Secretary and Head of Group Secretariat and Legal (Corporate), the Head of Group Risk Management, the CEOs of GELM and OACM, EVP Investment Management and the EVPs overseeing the Group's operations in China, Indonesia and Vietnam. The GMT provides overall Management governance and oversight over the principal insurance subsidiaries within the Group, covering all business and operational aspects of the Group.

The Group Asset-Liability Committee ("Group ALC") – The members of the Group ALC, chaired by Group CEO, consist of certain senior management executives of the Group, including MD (Finance & Corporate Affairs), MD (Singapore), Head of Group Risk Management, Regional Actuary, Head of Investment Management (Singapore and Malaysia) and the CEO of the Company's asset management subsidiary, Lion Global Investors Limited.

Group ALC's focus is principally on the investment and liability management aspects of the Group and its functions include overseeing the formulation and execution of investment strategy, reviewing asset allocation, reviewing pricing/re-pricing of insurance products, monitoring and determining asset-liability matching and reviewing performance of the investment portfolio and performance of fund managers. The Group ALC is also responsible for conducting periodic reviews of approved investment policy and to recommend changes required, taking into consideration

changes in the business and economic environment and ensuring that investment policies relating to the insurance funds of the principal insurance subsidiaries are consistent with the asset-liability management strategies. The ALC also reviews and approves (within given authorisation limits) investment proposals and asset allocation. The Group ALC reports to the Risk and Investment Committee on all its major decisions.

DEALINGS IN SECURITIES

The Company has adopted internal codes and policy on dealings in securities in the Company in line with the relevant rule set out in the Listing Manual of SGX-ST. The Directors and executives of the Company and of the Group are advised, and periodically reminded, not to deal in the Company's shares for the period commencing one month before the Company's announcement of financial results for the year (and ending on the date of the announcement of the results), and for the period of two weeks before the announcement of the Company's quarterly results during the financial year. They are also reminded not to deal in the Company's shares on short term considerations, and the applicability, at all times, of insider trading laws.

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

1. INTERESTED PERSON TRANSACTIONS

There were no material interested person transactions (excluding transactions of less than \$100,000 each) and no transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual, entered into by the Company and its subsidiary companies for the period 1 January 2008 to 31 December 2008.

2. OTHER INFORMATION

Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contract involving interests of Directors or the controlling shareholder and no such contract subsists as at end of the financial year, save as disclosed in the Directors' Report and in the financial statements for FY2008.

CEO'S REPORT



2008 has been both an eventful and a challenging year for Great Eastern.

We achieved a significant milestone with our centennial celebrations. In spite of the global financial crisis, our Group remained resilient and turned in a positive performance.

The Group had a profit attributable to shareholders of \$272.4 million for 2008, a drop of 50% when compared with the record high of \$546.9 million for 2007. That year was exceptional; its record high profit was due to strong investment returns and gains from the sale of some investments. For 2008, the Group's performance was affected by the financial downturn which impacted the investment performance of all funds.

Our total assets as at 31 December 2008 amounted to \$44 billion, a drop of 5% from \$46.5 billion as at 31 December 2007.

INSURANCE OPERATIONS, INVESTMENTS & FEES

The underlying insurance business of the Group remained strong in 2008, with gross premium recording a 17% increase to \$7,030 million. New business premium for life assurance operations rose 32% to \$3,669 million.

In Singapore, we retained our leadership position among life insurers with a market share of 29% in terms of total new business. The Group also remained the undisputed leader with 46% bancassurance market share. In Malaysia, the Group also led with a market share of 22%.

Profit from insurance operations (both life and general) totalled \$317 million for 2008, a drop of 41%. Pre-tax profit from investments in the shareholders' fund totalled \$40.9 million, a drop of 63% from \$111.5 million in 2007. Pre-tax fees and other income were 25% lower at \$79.5 million, due mainly to a decrease in assets under management in Lion Global Investors.

Our Embedded Value totalled \$5,788 million, a drop of 7.6% from \$6,265 million in 2007.

EXPANDING OUR REGIONAL FOOTPRINT

For the fourth year running, Great Eastern is one of the top-ranked companies in the Singapore International 100 Ranking organised by IE Singapore. This ranking celebrates Singapore's top 100 companies ranked by highest overseas revenue. With \$3.3 billion in overseas turnover, we are in 13th position in overall ranking and in 3rd position in Southeast Asia market ranking.

This recognition places Great Eastern among the top companies which have made internationalisation an integral part of their corporate strategy.

China

Great Eastern Life Assurance (China) Co Ltd (GELC), our joint-venture life insurance company with Chongqing Land Properties Group, continued to build a strong foundation for growth by enhancing its management structure, corporate branding, agency building and business development.

Great Eastern Life in Singapore donated RMB 1 million, through the Red Cross Society, to the Chongqing Government to provide relief to earthquake victims in Chongqing. In addition, GELC pledged RMB 1 million to rebuild two schools in Chongqing destroyed by the earthquake. The Company's active community involvement has helped to raise its profile in Chongqing.

We grew the agency size to 1,700, a four-fold increase from 2007, and developed their competencies through effective training and support. New business premium reached RMB 106 million, with bancassurance contributing over 70%.

GELC is on track to grow its presence across China as we opened sales service centres in major parts of Chongqing, including Hechuan, Wanzhou, Jiangjin and Yongchuan. We received approval from the China Insurance Regulatory Commission in July to establish our Chongqing branch office, and submitted our application to have a branch in Sichuan.

Indonesia

Our Indonesian subsidiary, Great Eastern Life Indonesia (GELIndo), built on its close partnership with Bank OCBC NISP to develop insurance solutions for bank customers.

We successfully expanded our sales force by 80% to 382 and continued to hone their professionalism and competency through training programmes. GELIndo closed the year with IDR 101 billion in new business premium and IDR 28 billion in total weighted premium.

As one of the major sponsors of "Insurance Day 2008", GELIndo participated in "Insurance Goes to Campus 2008" to raise the awareness of the importance of insurance in the universities. It was also a platform for the undergraduates to explore the possibility of participating in our internship-scholarship programme and consider a career in the insurance industry.

Vietnam

We achieved a significant milestone in our venture into Vietnam with the official opening of Great Eastern Life (Vietnam) Co Ltd (GELV) on 12 September, followed by the official opening of our Ho Chi Minh City branch on 12 December. The launch of GELV was supported by strategic marketing initiatives and roadshows to introduce Great Eastern as the market leader in Singapore and Malaysia which has arrived in Vietnam. We ended the year with 110 life planners and registered sales of VND 168 million in total weighted premium.

GELV also reinforced its commitment to make life great for the community through the "Life is great!" Photo Competition and "Life is great" Charity Walk.

Brunei

Our total sales grew by 8% to B\$3.7 million, giving us a market share of 25%. Our dominance in the bancassurance sector continued with a 55% market share. The "Life is great!" Photo Competition was organised as one of the key events in our centennial celebrations in Brunei. Education awards were also given to deserving students in four local private schools.

DIFFERENTIATION THROUGH SERVICE EXCELLENCE

Great Eastern works relentlessly to fortify its customer base by delivering quality service to 1.5 million policyholders in Singapore and 2.3 million in Malaysia. We gave a one-off special policy bonus totalling \$287.4 million in Singapore and RM900 million in Malaysia.

In Singapore, our award-winning Call Centre, a regional showcase for call centre excellence, became an approved training and assessment centre for call centre competency skills under the National Skills Recognition System framework. We are the first insurance company to receive this certification from the Singapore Workforce Development Agency.

The Company continued to benchmark its service standards against market leaders in the financial industry. We are one of the top-ranked companies among 14 life insurers in the 2008 Life Office Management Association (LOMA) Service Turnaround Times Survey in Asia, and among 38 life insurers in the LOMA Service Turnaround Survey in North America. For key turnaround times in new business, customer service and claims, 91% of our service indicators were top-ranked in Asia and 74% of them were top-ranked in North America. Comprising more than 1,200 insurance and financial service companies from over 80 countries, LOMA is an international association based in USA which engages in research and educational activities to improve company operations.

We were the first and only insurer to be accredited as an assessment service provider for relationship management and underwriting by the Institute of Banking and Finance under the Financial Industry Competency Standards (FICS) framework. This is a comprehensive competency-based framework, with performance criteria benchmarked against world-class standards. Forty of our life planners were also the

first in the industry to be FICS certified financial practitioners. Two years earlier, Great Eastern was the first life insurer to receive the FICS accreditation status for claims handling.

Continuous improvements were made to our e-initiatives to boost operational efficiency and enhance customer experience. On our online web portal, *e-Connect*, our customers are able to switch from one fund to a maximum of three other funds. This portal will be finetuned with the addition of self-service modules and streamlined to become more user-friendly. Our "Life is great!" 3G portal, which provides worldwide access to important services, was further enhanced to enable life planners to retrieve personal details and policy information of their policyholders.

In Malaysia, we have a robust infrastructure, managed by trained medical staff, and equipped with a 24-hour call centre to provide self-help to agents and policyholders on hospital admission or claims matters. In addition, our customer-centric managed care system tracks workflow to provide strong support for our medical products and agency force.

STRENGTHENING OUR LEADERSHIP POSITION WITH COMPREHENSIVE PRODUCTS

New and enhanced products were unveiled throughout the year to meet the diversified needs of our customers. Through successful marketing strategies, Great Eastern maintained its market leadership position in both Singapore and Malaysia.

Two products were unveiled as part of our centennial celebrations: *GreatLink Ideal Investor*, a "guaranteed issuance" single premium investment-linked policy and *SupremeSaver*, a five-year single premium endowment plan with 100% capital guarantee at maturity and projected maturity yields of 3.38% p.a. One new area of focus is the mass affluent market, for which we introduced *Prestige Life*, a single premium participating whole-life plan for insurance cover and estate creation, and *Prestige Protector*, a term plan with a minimum cover of \$1 million at competitive rates. Another area of focus is the strengthening of our accident & health business. We expanded our portfolio of personal accident plans with *Junior Protector* for children, and *Essential Protector* for working adults and families with children.

Great Eastern was re-appointed by the Ministry of Health in 2007 as one of three insurers to offer *ElderShield*, the national disability insurance scheme. Our campaign to policyholders to upgrade their policies was a success, with almost 100,000 upgrades out of 400,000 invitations, as well as a take-up rate of 15% for our supplementary plans, *ElderShield ValuePlus 300/400*.

During the year, we embarked on affinity marketing with the launch of "Your Great BabyCare Buddy" programme in partnership with Mount Alvernia Hospital. The programme offered free personal accident insurance coverage for six months exclusively to all newborns at the hospital. This initiative is our first step towards establishing

partnerships with organisations to establish new channels of leads acquisition.

There have been some regulatory changes to address the concerns of an ageing population in Singapore. To enable the CPF system to promote lifelong retirement income, the government has announced that with effect from 2013, Singaporeans will be automatically included in a CPF annuity plan, called *CPF Life*. The scheme has been streamlined into four plans with different payout amounts for life, starting from age 65. Three of the plans have a refundable feature if the policyholder dies before a certain age. This scheme may have an adverse impact on the annuity products provided by insurers. In the area of health insurance, the Ministry of Health has substantially improved certain limits in its *MediShield* plans with effect from 1 December 2008. The resultant increase in premiums and payouts will have an impact on the net premium that the insurers receive.

In Malaysia, the year also saw the introduction of special Centennial products: *Centennial AddVantage Insurance*, a comprehensive whole life investment-linked plan that offers 1% more on the sum assured every year up to 100 years, with no extra charge, and *Centennial Max Plan*, a 5-year capital protected single premium investment-linked plan that invested in our specially designed *Centennial Max Fund*, with a dynamic re-balancing strategy to capture returns in both bullish and bearish markets. For health coverage, we received an overwhelming response for our enhanced *MediCare 100*, an innovative plan that provides comprehensive health protection until the age of 100.

HONING OUR AGENCY DISTRIBUTION CAPABILITIES

Distribution efficiency and professionalism remain the key focus in managing our 2,500 life planners in Singapore and 17,000 agents in Malaysia.

In Singapore, we achieved a significant growth for our agency force with 603 new life planners, a 34% jump from 2007 and the highest in a decade. Our agency channel maintained a leadership position in the industry in terms of production as well as productivity.

The use of E-MAS (Electronic Mobile Advisory Solutions), our electronic point-of-sale system, continued to increase the efficiency and productivity of our life planners as well as enhance customer experience for our policyholders. With 100% adoption of E-MAS by life planners, Great Eastern is the first insurer in the region to achieve success in going paperless.

In Malaysia, the life planning adviser programme, our in-house certification course to equip our agents with knowledge and skills to become qualified life planning specialists, produced more than 500 graduates. Successful marketing activities and incentive programmes for agents increased our investment-linked business.

UNDISPUTED LEADER IN BANCASSURANCE

Great Eastern was the first insurer in Singapore to establish a bancassurance network in 1992, in an exclusive arrangement with OCBC Bank. After the merger of Great Eastern Holdings and OAC in December 2000, our bancassurance business has been conducted exclusively through, and underwritten by, OAC. Our successful partnership with OCBC Bank has resulted in Great Eastern consistently occupying the pole position. In 2008, our bancassurance channel obtained the lion's share of 46% of Singapore's bancassurance business. We registered \$210 million in total weighted premium, an increase of 66% from 2007.

Our bancassurance business in Malaysia also continued to grow steadily despite the competition. Programmes were launched to provide credit-related protection for business and consumer loans and for the credit card customer base of OCBC Bank. These initiatives contributed to the positive growth in our bancassurance sales in 2008.

STAMPING OUR MARK ON GENERAL INSURANCE BUSINESS

The Group's general insurance business is handled by OAC in Singapore and OACM in Malaysia.

General insurance business in Singapore grew by 30% in gross written premium to \$62 million. We registered an underwriting profit of \$4.7 million and profit-after-tax of \$6.6 million. The growth was mainly contributed by the agency channel which increased by 67% in gross written premium.

Following the successful introduction of our web-based *e-Travel* system, we will introduce *e-Enablement* to facilitate the purchase of personal line insurance products, premium payment and policy confirmation, via the internet. This will enhance our operational efficiency and customer service.

In Malaysia, OACM saw a growth of 11% in gross written premium to RM 197 million, with an increase in overall underwriting profit of 21% to RM 18 million. OACM successfully launched the *Centennial PA*, a comprehensive personal accident plan which is renewable up to the age of 100 and comes with a renewable bonus of up to 100% of the capital sum insured for a premium as low as RM 100.

STRENGTHENING OUR GROUP INSURANCE NETWORK

We continued to grow our group insurance business by expanding our distribution channels, and introducing new products and services.

In Singapore, we launched *SupremeCare Plan*, a comprehensive managed care insurance programme which can be customised to meet the needs of corporate clients. It provides employees with benefits on an as-charged basis for outpatient clinical, specialist and diagnostic care, as well as in-patient care with hassle-free administration. Within a year of the product launch, we have acquired 16,000 insured members, contributing over \$8 million in premiums. In August, we

also launched the Enhanced Employees Comprehensive Benefits scheme for small and medium-sized enterprises, providing coverage for life and critical illnesses, hospitalisation and outpatient medical care at affordable premiums.

In Malaysia, we continued to widen our distribution channels via insurance brokers, direct sales team and agency force. For the employee benefits segment, our strategic partnership with the Generali Pooling Network has helped us gain access to subsidiaries of MNCs in the pooling network, resulting in a 20% growth in new business premium.

SUSTAINING RETURNS FROM REAL ESTATE

Our real estate investments are diversified across eight countries in different sectors to enhance portfolio returns. As at 31 December 2008, the Group exposure to real estate was \$2.5 billion.

In Singapore, *Great Eastern Centre* houses the Group's corporate head office, with about a third of the space leased to external tenants. *Great Eastern House* and *Great Eastern @ Changi* are used mainly for our agency leaders and life planners. In collaboration with OCBC Bank, we have commenced joint redevelopment works for *Orchard Emerald* and the neighbouring *Specialist Centre Hotel Phoenix*. Our major residential investment properties in prime locations include *Newton.GEMS*, a 190-unit condominium, *Holland.GEMS*, a 65-unit condominium, *Gallop Court*, a 25-unit development, and *Gallop Gardens* with eight good class bungalows.

In Malaysia, we refurbished three branch offices in Batu Pahat, Sibul and Penang for consistent corporate branding and enhanced customer service experience. Our Penang branch won the Persatuan Arkitek Malaysia Award 2008 for Excellence in Architecture – Conservation Building. *Great Eastern Mall* continued to be the favourite mall for the residents of the Ampang/U-Thant/Wangsa Maju area of Kuala Lumpur, with almost full occupancy, while the adjoining office tower, *Menara Great Eastern*, continued to enjoy full occupancy. Our 113-unit *Sri Hening Residences*, a high quality residential development, achieved an occupancy rate of 82%. The occupancy rates at *Menara Weld* and *The Weld* stood at 93% and 82% respectively.

HARNESSING IT FOR REGIONAL GROWTH

Through innovation and the strategic integration of advanced technology with business processes, Great Eastern continued to maintain its competitive advantage and growth in the ever-changing business climate.

A number of initiatives were successfully launched to buttress the Group's focus on developing a regionally integrated enterprise. One such achievement was the successful deployment of the Financial Products Management System (FPMS) to our operations in Singapore, Malaysia, Brunei and Vietnam. This new system has enabled us to move into new markets and introduce new products within a relatively

short period of time. FPMS promotes the alignment of business operations with our best practices across regional offices. Through its extensible and flexible architecture, the Group is able to efficiently achieve shared services across the region.

In 2009, Great Eastern will continue to focus on the development of core competences to support the strategic and efficient deployment of resources regionally. The consolidation of our data centres, in tandem with our strategy for a regional data centre, will be the first of the Group's shared services. It will provide an effective platform for the next leap of growth for our regional operations.

UPLIFTING THE GREAT EASTERN BRAND

2008 was an eventful year for our corporate branding. As it was the year we turned 100, we had a number of strategic activities to raise the profile of Great Eastern.

Our centennial corporate branding campaign was successfully launched in May with the message, "Thank you for 100 years of support. We remain dedicated to making life great!". The campaign increased Great Eastern's visibility and communicated to the public that the Group has stood the test of time over the past century and will continue to serve our policyholders. Our "The Great Centennial Wish" lucky draws, where policyholders who purchased our plans stood a chance to win \$10,000 cash and a Mercedes-Benz SLK roadster, effectively created awareness of the Great Eastern brand and boosted product sales.

Our annual Great Eastern Women 10K run proved to be a successful corporate branding event in 2008 with a record 10,000 runners. The biggest of its kind in Singapore and Asia, this run reinforced our active role in corporate social responsibility by supporting the "Women Against Cancer" campaign, and raising \$100,000 for the Breast Cancer Foundation and Cervical Cancer Prevention Fund.

Our strong brand was re-affirmed when we won the BrandLaureate Heritage Awards 2007/2008 for Best Brands in Life Assurance. Organised by the Asia Pacific Brands Foundation, the awards honour brands that have stood the test of time, maintained their distinction and quality, stayed relevant through innovation and are iconic brands in their own right.

In Malaysia, our "live100percent" campaign successfully reinforced the Great Eastern brand. The year-long campaign rewarded policyholders with the opportunity to enjoy an amazing experience each week. It underpinned our mission to make life great by providing financial security and protection, thereby enabling people to live life to the fullest.

CELEBRATING LIFE @ 100

Great Eastern successfully celebrated its 100th birthday on 26 August 2008 with some 900 guests comprising board directors, government officials, business partners, policyholders, life planners and staff. Our guest-of-honour was Singapore's Prime Minister Lee Hsien Loong. We also shared our birthday joy with the public by providing complimentary bus rides on Great Eastern-branded buses. A "Life is great!" coffee table book was produced to chart our rich history over the past 100 years, robust performance, long-lasting relationship with our customers and regional expansion plans. The books were given out as a special memento to guests, our staff, life planners and business associates.

The Group also successfully celebrated its centennial with gala dinners across its regional offices: first in Hanoi on 12 September, followed by Jakarta and Chongqing on 17 and 29 October respectively, and in Brunei on 11 November. As part of the celebrations, we donated RMB 500,000 to the Chongqing Children Leukaemia Foundation in China and gave IDR 100 million to the Sampoerna Foundation in Indonesia for scholarship to deserving students. We also contributed B\$30,000 to Pusat Ehsan Al-Ameerah Al-Hajjah Maryam, a disability centre in Brunei, and awarded 100 scholarships to local students in five Vietnamese universities.

REINFORCING OUR ACTIVE ROLE IN CORPORATE CITIZENSHIP

As part of our centennial celebrations, we raised \$1 million in Singapore for our long-standing community projects, ChildrenCare and GoldenCare, to benefit four charities under the umbrella of the Community Chest. We had a slew of activities: our 7th Charity Golf Challenge raised \$450,000, and a fund-raising project involving staff and life planners raised over \$160,000.

In recognition of our fund-raising efforts, we were conferred the Special Events Platinum Award for the 17th consecutive year and the prestigious 15-Year Outstanding Special Events Award by the Community Chest for ChildrenCare and GoldenCare. Since the inception of these two projects, we have raised more than \$9 million for our beneficiaries.

In April, we set up the Great Eastern-Howe Yoon Chong Bursary with a gift of \$500,000 to the National University of Singapore to help deserving students further their education at the University. The late Mr Howe Yoon Chong, who passed away in August 2007, was a former Chairman of the Group and the bursary was established to honour his contribution to Great Eastern.

In Malaysia, our long-term charity project, ChildrenCare, continued to spread the "Life is great!" cheer to underprivileged children. Our community projects included the ChildrenCare camp which sponsored 50 Orang Asli children to experience urban living in Kuala Lumpur; "Read to the blind" workshop for more than 60 visually impaired students, and "Sponsor-A-Book" programme to provide education support for juvenile prisoners.

DEVELOPING OUR HUMAN CAPITAL

Our human capital remains the key driver for the long-term growth of our Company. Our strategy focuses on building a strong organisational culture to bring out the best in our employees. Fundamental to this strategy is staff engagement with the Company. Our employee engagement scores have been consistently high. In 2008, 81% of employees in Singapore and 73% in Malaysia indicated that they are engaged when working with us. This compares favourably with an average score of 56% for surveyed companies in Singapore.

In November, we received the prestigious “Gold Award” in the Singapore Health Awards 2008 from the Ministry of Health. The award recognises companies with effective workplace health programmes and consistently maintained these standards. In March, Great Eastern was conferred the “Honorary Award for 100 Years of Leading Employment Practices” at the annual HRM Awards 2008, an event that celebrates and recognises best HR practices and professionals in Singapore.

In Malaysia, the Performance Management System (PMS) remained the key tool for aligning employee performance and behaviour with the Company's vision and core values. The differentiation of performance through the PMS allowed us to identify talent and plan for their development. The PMS was also implemented in GELIndo and GELV. As part of our talent management strategy, scholarships were given in Malaysia to 10 students undertaking tertiary studies in local and overseas universities.

Labour-management relationship continued to be strong through our consistent and successful engagement with union officials over a wide range of work issues.

LION GLOBAL INVESTORS LTD

On 2 June 2008, Lion Capital Management Ltd was renamed Lion Global Investors Ltd to reflect the Company's global aspirations and expanding client base. Lion Global closed the year with a pre-tax profit of \$43.7 million and assets under management of \$26.4 billion.

Accolades continued to pour in for Lion Global during the year. It garnered 12 local and overseas awards for the performance of its unit trusts in 2007. The repeat and multiple award winners include the *LionGlobal Singapore/Malaysia Fund*, *LionGlobal Japan Growth Fund*, as well as the *LionGlobal Thailand Fund*. For the third year running, Lion Global was recognised as the “Best Fund Group over 3 years, Mixed Assets Group” at The Edge-Lipper Fund Awards 2008.

To cater to the low risk appetite of retail investors in the weak economic climate, Lion Global launched the *AUD Short Duration Fund* in the middle of the year. This fund provides a vehicle for retail investors to invest in high quality AUD-denominated short term money market instruments and bonds. It also aims to provide a return which is comparable to that of, or better than, AUD deposit rates.

On the institutional front, an office was opened in Dubai to bring Lion Global closer to the Middle-Eastern, European and North American markets. It won mandates from Australia and Brunei, and made further in-roads into Japan, Korea and Taiwan.

RIDING OUT CHALLENGING TIMES AHEAD

Having been around for more than a century, Great Eastern has not only stood the test of time but has grown from strength to strength to become the leading insurer in Singapore and Malaysia. In an economy marked by volatility, the continued success of the Group rests on its ability to prepare for the future while strengthening its core competencies.

We will therefore continue to build on our strengths and long-term capabilities against the backdrop of our strong business foundations in Singapore and Malaysia. We remain committed to strengthening our distribution capabilities, transforming and growing our agency force, as well as delivering innovative products and services to meet our customers' needs. We will continue to expand and edify our human talent – the driving force behind our long-term growth – so that they will be poised to rise to the challenges ahead and help steer our Company. On the regional front, we will continue to strengthen our foundation while capitalising on growth opportunities in the emerging markets of China, Indonesia and Vietnam.

2009 will be a challenging year for Great Eastern, given the global economic crisis. But the potential for long-term growth in Asia remains strong. Against the backdrop of the unprecedented changes unfolding in the financial and insurance sector in the West, there are unique opportunities for Asian insurers to strengthen their financials and position themselves as major players in the region. Great Eastern is well placed to weather the crisis and propel itself further in the region.



NG KENG HOOI

Group Chief Executive Officer
28 February 2009

YEAR IN REVIEW

JANUARY

- We successfully rolled out in Singapore the Financial Products Management System, a computer system, to streamline all our business processes and enhance customer experience.

FEBRUARY

- We embarked on affinity marketing with the launch of “Your Great BabyCare Buddy” programme in partnership with Mount Alvernia Hospital.
- For the third year running, Lion Global Investors was recognised as the “Best Fund Group over 3 years – Mixed Asset Group” at the Edge-Lipper Singapore Fund Awards 2008.

MARCH

- Great Eastern sponsored the Centennial Seminar Series organised by *Channel NewsAsia* to build brand awareness among working professionals.
- We were conferred the “Honorary Award for 100 Years of Leading Employment Practices” at the HRM Awards 2008 which celebrated and recognised best HR practices and professionals in Singapore.

APRIL

- Great Eastern became the first and only insurer to be awarded the status of accredited assessment service provider for relationship management and underwriting by the Institute of Banking and Finance under the Financial Industry Competency Standards (FICS) framework. Forty life planners were also the first in the industry to be FICS certified.

- Our 7th Charity Golf Challenge successfully raised \$450,000 for our long-standing community projects, ChildrenCare and GoldenCare.
- We established the Great Eastern-Howe Yoon Chong Bursary with a gift of \$500,000 to the National University of Singapore for deserving students.
- The Financial Products Management System was successfully implemented in Malaysia.
- In Malaysia, we were conferred the Reader’s Digest Trusted Gold Award for the fifth consecutive year, for achieving the highest ratings from consumers for quality, value, trustworthiness, strong image and understanding of customer needs.

MAY

- Our centennial corporate branding campaign with the message, “Thank you for 100 years of support. We remain dedicated to making life great!” was launched in Singapore to raise the profile of Great Eastern.
- Great Eastern became the first insurer in Singapore to have its Call Centre approved as a training and assessment centre for call centre competency skills under the National Skills Recognition System Framework.
- As part of our corporate social responsibility, Great Eastern in Singapore and China donated RMB 2 million to earthquake victims in Chongqing.
- Our Batu Pahat branch in Malaysia was officially opened.

JUNE

- Great Eastern was conferred the BrandLaureate Heritage Awards 2007/2008 for Best Brands in Life Assurance by the Asia Pacific Brands Foundation. The awards honour brands that have stood the test of time, maintained their distinction and quality, stayed relevant through innovation and are iconic brands in their own right.
- In Malaysia, we won the Business Leadership Gold Award for Life Insurance at the Brand Equity Awards 2008, based on the highest/best media exposure in the mass media.
- Great Eastern continued to expand its presence in Sarawak, Malaysia, with the opening of its third branch at Sibul.

JULY

- We held our 8th “Life is great!” Photo Competition in Singapore which had a positive impact on our branding.
- Our Penang branch in Malaysia was officially opened.
- In Malaysia, we received the Responsible Entrepreneurship Award in the Asia Pacific Entrepreneurship Awards 2008 for demonstrating a culture of socially and environmentally responsible entrepreneurship.
- Great Eastern Life Assurance (China) Co Ltd (GELC) received approval from the China Insurance Regulatory Commission (CIRC) to set up its branch office in Chongqing.

AUGUST

- Great Eastern celebrated its centennial on 26 August with 900 guests in Singapore. Prime Minister Lee Hsien Loong was our guest-of-honour. As part of the celebrations, we donated \$1 million to the Community Chest.
- Our “Life is great!” coffee table book was launched to commemorate Great Eastern’s centenary.
- On 26 August, over 1,000 people turned up at our birthday bash at Great Eastern Centre. Policyholders whose birthdays fell on 26 August received birthday treats from Great Eastern.
- We were in the Malaysia Book of Records with the “100k for 100 Years” charity drive, raising RM 100,000 for five charity organisations.
- Great Eastern Life (Vietnam) Co Ltd (GELV) organised the “Life is great!” Photo Competition to build brand awareness.

SEPTEMBER

- We held a centennial dinner in Hanoi to officially launch GELV. GELV was the main sponsor of the “Life is great!” Charity Walk and awarded 100 scholarships to outstanding students in five local universities.
- Great Eastern Life Indonesia sponsored and participated in “Insurance Goes to Campus 2008” to raise awareness of the importance of insurance in Indonesia.
- GELC was the title sponsor of the “Go Green for Earth Day” campaign to raise its profile.

OCTOBER

- Great Eastern was one of the top-ranked companies among 14 life insurers for key service indicators in the 2008 Life Office Management Association (LOMA) Service Turnaround Times Survey in Asia. For key turnaround times in new business, customer service and claims, 91% of our service indicators were top-ranked in Asia.
- Our third annual Great Eastern Women 10K run was a success with a record 10,000 runners. As the title sponsor of this biggest all-women road race in Singapore, we have effectively promoted our “Life is great!” philosophy.
- Great Eastern successfully held its centennial dinner in Chongqing, during which we donated RMB 500,000 to the Chongqing Children Leukaemia Foundation; and in Jakarta where we gave IDR 100 million to the Sampoerna Foundation, for scholarship to deserving students.

NOVEMBER

- We were one of the top-ranked companies among 38 life insurers in the 2008 LOMA Service Turnaround Times Survey in North America. For key turnaround times in new business, customer service and claims, 74% of our service indicators were top-ranked in North America.
- For the fourth year running, Great Eastern Holdings Ltd is one of the top-ranked companies in the Singapore International 100 Ranking. With \$3.3 billion in overseas turnover, we are in the 13th position in the overall ranking and in 3rd position in the Southeast Asia market ranking.
- Great Eastern was conferred the Special Events Platinum Award for the 17th year and the prestigious 15-Year Outstanding Special Events Award by the Community Chest for ChildrenCare and GoldenCare.
- We received the prestigious “Gold Award” in the Singapore Health Awards 2008 from the Ministry of Health for having put in place and consistently maintained effective workplace health programmes.
- As the presenting sponsor of the youth musical, “It’s My Life!”, we successfully leveraged on the event to raise our profile and demonstrate our corporate social responsibility by contributing to the local arts scene.
- Great Eastern was accredited Capability Maturity Model Integration Level 3, one of the highest process improvement maturity levels achieved by organisations that are dedicated to quality in the management and development of products and services.
- We received approval from the CIRC to appoint Liu Li as the Chairman of GELC.
- GELC submitted the application to the CIRC to set up a branch office in Sichuan.
- Great Eastern Brunei held its centennial dinner and reinforced its community involvement with a B\$30,000 cheque presentation to the disability centre, Pusat Ehsan Al-Ameerah Al-Hajjah Maryam.

DECEMBER

- The inaugural Great Eastern International Kids Performing Festival was held to promote our “Life is great!” corporate philosophy and reinforce our community involvement.
- Scholarships were given to 10 deserving students at the third annual GELC Actuarial Scholarship Presentation Ceremony in Chongqing.
- GELV’s branch office in Ho Chi Minh City was officially opened.

**EMBEDDED
VALUE**

EMBEDDED VALUE

An actuarial embedded value is a commonly used technique to estimate the economic value of the existing business of a life insurance company. Looking at a company's distributable profits for a year, or even a few years, is not a reliable guide to its long-term value. This is because the timing of distributable profits arising from a policy, even for a profitable business, may result in losses in the first policy year even though there may be profits in later years and the policy is profitable overall. The loss in the first year is due to the initial expenses of writing new business, combined with the need to set aside capital to meet regulatory solvency requirements. As a result, in any one year, high growth of business may tend to lower distributable profits. Embedded values have therefore been developed as a way to estimate the long-term economic value of a life insurance company for the existing blocks of business.

The embedded value of Great Eastern Holdings Limited ("the Group") has been determined using the traditional deterministic cash flow methodology that has been adopted historically for embedded value reporting, and comprises the sum of the value of In-Force Business and the value of the adjusted Shareholders' Funds.

VALUE OF IN-FORCE BUSINESS

This represents an estimate of the economic value of projected distributable profits to shareholders, i.e. after-tax cash flows less increases in statutory reserves and solvency margins attributable to shareholders, from the In-Force Business at the valuation date, i.e. 31 December 2008. The cash flows represent a deterministic projection, using best estimate assumptions as to future operating experience and are discounted at a risk-adjusted discount rate.

The use of a risk-adjusted discount rate, together with an allowance for the cost of holding statutory reserves and solvency margins represents the allowance for risk in the value of In-Force business together with an implicit allowance for the cost of options and guarantees provided to policyholders. It should be noted that this allowance for risk is approximate and may not correspond precisely with the allowance determined using capital market consistent techniques.

In projecting the value of In-Force Business, the statutory reserve valuation and solvency margin bases are assumed to be based on the Risk Based Capital and Capital Adequacy Requirement bases for Singapore and on the minimum basis allowed under the regulations for Malaysia.

ADJUSTED SHAREHOLDERS' FUND

This represents the value of the Shareholders' Funds from the various entities of the Group that can be distributed to shareholders, after allowing for tax. These are the amounts over and above the assets required to meet statutory reserves, solvency margins and other liabilities. Included in this are surpluses from the non-life funds.

ASSUMPTIONS USED

The assumptions adopted for the calculations have been determined taking into account the recent experience of, and expected future outlook for, the life insurance business of the companies involved, i.e. The Great Eastern Life Assurance Company Limited ("GEL") and The Overseas Assurance Corporation Limited ("OAC") in Singapore and Great Eastern Life Assurance (Malaysia) Berhad ("GELM") in Malaysia.

Investment returns assumed are based on the long term strategic asset mix and their expected future returns. For both GEL and OAC, the returns assumed, after investment expenses, are 5.25%, 4.0% and 7.0% for participating fund, non-participating fund and linked fund respectively. For GELM, the returns assumed, after investment expenses, are 6.5%, 6.0% and 7.0% for participating fund, non-participating fund and linked fund respectively. The risk-adjusted discount rate used is 8.0% for Singapore and 9.5% for Malaysia.

EMBEDDED VALUE CALCULATION

The value of In-Force Business has been calculated for the life insurance business of GEL and OAC in Singapore and GELM in Malaysia, along with the adjusted Shareholders' Funds for the Group. The results of the calculations as at 31 December 2008 are as follows:

Embedded Value (S\$ million)	Singapore and Other Asia*	Malaysia	Total
Life Business			
Value of In-Force Business	1,341	1,355	2,696
Shareholders' Funds and Non-Life Business			
Adjusted Shareholders' Funds	2,806	286	3,092
Total Embedded Value	4,147	1,641	5,788

* Note: Including values from the businesses in Brunei, China, Hong Kong, Indonesia, Sri Lanka and Vietnam.

ECONOMIC VALUE OF ONE YEAR'S NEW BUSINESS

The economic value of one year's new business, defined as the value of projected shareholder distributable profits from new business sold in the year prior to the valuation date, can be used to determine the estimated value of future distributable profits from new sales. Using the same best estimate and reserving and solvency margin assumptions as those used for the In-Force Business, The value of business written for the year ended 31 December 2008 has been calculated as follows:

	Singapore and Other Asia	Malaysia	Total
Economic Value of One Year's New Business (S\$ million)	155*	109	264

* Note: Includes S\$20 million value of policy enhancement requests from policies inforce as at 31 December 2007.

The economic value of one year's new business tabulated above includes the new business written in the Group's other regional operations in Brunei, China, Indonesia and Vietnam.

ANALYSIS OF CHANGE IN EMBEDDED VALUE

The chart shows various components accounting for the change in embedded value from the start to the end of the year. The table below the chart provides comparison of the individual components against 2007 analysis results.



INDEPENDENT REVIEW

The embedded value, the value of one year's new business and the analysis of change in embedded value during the year were determined by the Group. The Tillinghast business of Towers Perrin performed a review of the methodology used (relative to the traditional deterministic embedded value reporting approach), the assumptions adopted, and performed a high level review of the results of the Group's calculations.

SENSITIVITY TESTINGS

In addition, some sensitivity testings were conducted using different interest and discount rates. The results are summarised below:

Values	Base Scenario	Investment +0.50% Discount Rate +1%	Investment -0.50% Discount Rate -1%
Total Embedded Value (S\$ million)	5,788	5,748	5,815
Economic Value of One Year's New Business (S\$ million)	264	252	276

100 YEARS: GREAT MILE- STONES

- 1908**
- Great Eastern Life Assurance Co Ltd or "Tai Tong" is founded in Singapore by Canadian AH Fair.
 - Its first office is in Winchester House at Collyer Quay with 15 staff & \$70,000 in assets.

- 1920**
- Overseas Assurance Corporation Ltd (OAC), first composite insurer in Singapore, is incorporated.

- 1931**
- The Great Eastern Life Assurance Building at Cecil Street opens.

- 1941**
- The Japanese invades; headquarters is shifted to London; policy & share registers are photographed and sent to Calcutta & Sydney for safekeeping.

- 1945**
- Policies which lapsed during the Japanese Occupation are reinstated.

- 1986**
- First life insurer in the region to operate on on-line, real-time mode.

- 1987**
- First insurer in the region to launch Living Assurance, an insurance policy that covers critical illnesses.
 - Also first insurer to introduce Income Protection plan in Singapore.
 - ChildrenCare, Great Eastern's first community project, is launched.
 - Assets total \$2.1 billion.

- 1992**
- Great Eastern enters into an exclusive tie-up with OCBC Bank to become the first insurer to establish bancassurance network in Singapore.

- 1996**
- PT Asuransi Jiwa Asih Great Eastern is established in Indonesia.

- 1997**
- Straits Lion Asset Management is formed to handle Great Eastern's in-house funds totalling \$2 billion.

- 1999**
- Great Eastern Life (GEL) is restructured to become a wholly-owned subsidiary of Great Eastern Holdings Ltd.

- 2000**
- Great Eastern Holdings merges with OAC.

- 2001**
- The Great Eastern logo, the "Life is great!" tagline and the website www.lifeisgreat.com.sg are launched.
 - Centre for Excellence is established to raise the professional standard of the agency force.
 - Head office moves from OCBC Centre to the new Great Eastern Centre.

- 2002**
- OAC is first bancassurer to achieve \$1 billion mark in new sales & top market share of 53%.
 - GEL (Malaysia) & OAC (Malaysia) move into new headquarters at Menara Great Eastern in KL.

- 2003**
- Great Eastern receives 10-year Outstanding Special Event Award from the Community Chest for its ChildrenCare & GoldenCare projects.

- 2004**
- Great Eastern Holdings becomes a substantially-owned subsidiary of OCBC Bank.

- 2005**
- E-MAS, a paperless & customised point-of-sale system, is successfully implemented.
 - OCBC Asset Management & Straits Lion Management merge to become Lion Capital Management (renamed Lion Global Investors in 2008).

- 2006**
- Great Eastern Life (China) opens in Chongqing in June.
 - The company in Indonesia is renamed PT Great Eastern Life (Indonesia).

- 2008**
- New mainframe computer system (FPMS) rolls out in January in Singapore, and in April in Malaysia.
 - Great Eastern celebrates its centennial on 26 August.
 - Great Eastern Life (Vietnam) opens in Hanoi in September; the Ho Chi City branch commences operations in December.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mrs Fang Ai Lian
Chairman

Mr Ng Keng Hooi
Group Chief Executive Officer

Dr Cheong Choong Kong

Mr David Conner

Mr Koh Beng Seng

Mr Lee Seng Wee

Mr Lee Chien Shih

Tan Sri Dato' Dr Lin See-Yan

Professor Neo Boon Siong

Mr Tan Yam Pin

NOMINATING COMMITTEE

Mrs Fang Ai Lian

Chairman

Dr Cheong Choong Kong

Mr Lee Seng Wee

Mr Tan Yam Pin

EXECUTIVE COMMITTEE

Mrs Fang Ai Lian

Chairman

Dr Cheong Choong Kong

Mr David Conner

Mr Ng Keng Hooi

Mr Tan Yam Pin

AUDIT COMMITTEE

Mr Tan Yam Pin

Chairman

Mrs Fang Ai Lian

Tan Sri Dato' Dr Lin See-Yan

Professor Neo Boon Siong

REMUNERATION COMMITTEE

Mrs Fang Ai Lian

Chairman

Mr David Conner

Mr Koh Beng Seng

Mr Lee Chien Shih

Professor Neo Boon Siong

RISK & INVESTMENT COMMITTEE

Mrs Fang Ai Lian

Chairman

Mr David Conner

Mr Koh Beng Seng

Mr Ng Keng Hooi

GROUP COMPANY SECRETARY

Mrs Elizabeth Teoh Pek Har

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SHARE REGISTRAR

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The Corporate Office

Singapore 068906

Telephone: (65) 6223 3036

AUDITORS

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One Raffles Quay

North Tower, Level 18

Singapore 048583

Partner In Charge:

Mr Shekaran Krishnan

(since financial year 2008)

KEEP ON CLIMBING

We will continue to leverage on our strong brand and distribution capabilities to reinforce our market leadership and scale greater heights.

LIFE'S
GREAT
JOURNEY

With the support of Great Eastern and fellow life planners, 28-year-old Linda Tan set off on her journey in her attempt to become the first Singaporean woman to scale Mount Everest.

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report to the members together with the audited financial statements of Great Eastern Holdings Limited ("GEH" or the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2008.

1 DIRECTORS

The Directors of the Company in office at the date of this report are:

Mrs Fang Ai Lian, *Chairman (appointed as Director and as Chairman on 1 April 2008 and 15 April 2008 respectively)*

Mr Ng Keng Hooi, *Group Chief Executive Officer (appointed on 1 December 2008)*

Dr Cheong Choong Kong

Mr David Conner

Mr Koh Beng Seng

Mr Lee Seng Wee

Mr Lee Chien Shih

Tan Sri Dato' Dr Lin See-Yan

Professor Neo Boon Siong

Mr Tan Yam Pin

Dr Cheong Choong Kong, Mr David Conner and Mr Lee Chien Shih will retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming annual general meeting ("AGM") of the Company, and, being eligible, will offer themselves for re-election at the AGM.

Mrs Fang Ai Lian and Mr Ng Keng Hooi will retire pursuant to Article 97, and, being eligible, will offer themselves for re-election at the AGM.

Mr Lee Seng Wee will retire pursuant to section 153 of the Companies Act, Chapter 50 at the forthcoming AGM of the Company. A resolution will be proposed at the forthcoming AGM of the Company for his re-appointment under section 153(6) of the Companies Act to hold office until the next AGM of the Company.

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, save as disclosed in this report.

DIRECTORS' REPORT

3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings, none of the Directors who held office at the end of the financial year had any interest in shares or debentures of the Company. Directors' interests in shares in or debentures of the Company's holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") and its related corporations are as follows:

	Holdings registered in the name of Directors or in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 1. 1. 2008 or date of appointment	As at 31. 12. 2008	As at 1. 1. 2008 or date of appointment	As at 31. 12. 2008
(i) Ordinary shares in the capital of OCBC Bank				
Dr Cheong Choong Kong	97,179	127,982	69,487 ⁽³⁾	39,715⁽²⁾
Mr David Conner	1,009,393	1,120,542	288,018 ⁽⁵⁾	401,493⁽⁴⁾
Mr Lee Seng Wee	6,649,194	6,653,994	3,901,094 ⁽¹⁾	3,901,094⁽¹⁾
Mr Lee Chien Shih	1,771,888	1,771,888	–	–
Professor Neo Boon Siong	9,600	14,400	–	–
Mr Ng Keng Hooi	–	105,659	–	–
Mr Tan Beng Lee ⁽⁷⁾	420,000	420,000	–	109,079⁽⁶⁾
(ii) 4.2% non-cumulative non-convertible Class G preference shares in OCBC Bank				
Dr Cheong Choong Kong	15,000	15,000	–	–
Mr David Conner	50,000	50,000	–	–
Mr Lee Seng Wee	800,000	800,000	600,000 ⁽¹⁾	600,000⁽¹⁾
Mr Lee Chien Shih	176,000	176,000	–	–
Mr Tan Beng Lee ⁽⁷⁾	1,050	1,050	–	–
(iii) 5.1% non-cumulative non-convertible Class B preference shares in OCBC Bank				
Mrs Fang Ai Lian	–	1,700	–	–
(iv) OCBC Bank SGD Subordinated Notes 5% Due 06.09.2011				
Mr Tan Yam Pin	–	–	500,000 ⁽¹⁾	500,000⁽¹⁾
(v) OCBC Capital Corporation (2008) 5.1% non-cumulative non-convertible guaranteed preference shares				
Dr Cheong Choong Kong	–	10,000	–	–
Mr Tan Beng Lee ⁽⁷⁾	–	2,000	–	–

⁽¹⁾ Ordinary shares / preference shares / Notes held by spouse.

⁽²⁾ Comprises deemed interest over 30,115 ordinary shares under the OCBC Deferred Share Plan and 9,600 ordinary shares held by spouse.

⁽³⁾ Comprises deemed interest over 59,887 ordinary shares under the OCBC Deferred Share Plan and 9,600 ordinary shares held by spouse.

⁽⁴⁾ Comprises deemed interest over 392,787 ordinary shares under the OCBC Deferred Share Plan and subscription rights over 8,706 ordinary shares under the OCBC Employee Share Purchase Plan.

⁽⁵⁾ Comprises deemed interest over 276,856 ordinary shares under the OCBC Deferred Share Plan and subscription rights over 11,162 ordinary shares under the OCBC Employee Share Purchase Plan.

⁽⁶⁾ Comprises deemed interest over 109,079 ordinary shares under the OCBC Deferred Share Plan.

⁽⁷⁾ Mr Tan Beng Lee retired from the GEH Group with effect from 31 December 2008, and also resigned as a Director of the Company with effect from 31 December 2008.

DIRECTORS' REPORT

3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

(vi) Share options

According to the register of Directors' shareholdings, none of the Directors who held office at the end of the financial year have any interests in share options to subscribe for ordinary shares in the capital of the Company under the Great Eastern Holdings Executives' Share Option Scheme ("GEH Scheme"). The following Directors have interests in share options to subscribe for ordinary shares in the capital of OCBC Bank under the OCBC Share Option Scheme 2001, as follows:

	Options held by Directors		Options in which Directors are deemed to have an interest	
	As at 1. 1. 2008	As at 31. 12. 2008	As at 1. 1. 2008	As at 31. 12. 2008
Dr Cheong Choong Kong	714,800	914,800	–	–
Mr David Conner	3,395,000	3,845,000	–	–
Mr Tan Beng Lee*	321,406	441,406	–	–

* Mr Tan Beng Lee retired from the GEH Group with effect from 31 December 2008, and also resigned as a Director of the Company with effect from 31 December 2008.

Save as disclosed above, the Directors did not have any interest in shares in, or debentures of, the Company or any related corporation either at the beginning or at the end of the financial year.

The Directors' interests in shares and share options set out above as at the end of the financial year were the same as those as at 21 January 2009.

4 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive benefits by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in this report, and except for employment remuneration/benefits received by the Company's Group Chief Executive Officer as disclosed in the financial statements, and except for employment remuneration/benefits received by another Director in his capacity as the Chief Executive Officer of the Company's holding company, OCBC Bank.

One of the Company's non-executive Directors, Dr Cheong Choong Kong ("Dr Cheong"), who is also a non-executive Director and Chairman of OCBC Bank, had on 12 June 2006 entered into an agreement with OCBC Management Services Private Limited, a wholly-owned subsidiary of OCBC Bank, under which Dr Cheong was appointed as consultant to oversee and supervise the strategic planning of OCBC Bank and its subsidiaries with respect to customer service, talent identification, and the development and succession of senior management within the OCBC Group. Under the agreement, in respect of the financial year ended 31 December 2008, Dr Cheong has received payments and benefits amounting to \$1,111,560 and will receive a variable bonus of \$100,000, and any additional bonus as may be determined by the Remuneration Committee and the Board of Directors of OCBC Bank. In respect of financial year ended 31 December 2007, Dr Cheong received aggregate payments and benefits of \$1,090,562 and a variable bonus of a total amount of \$1,350,000 comprising a base bonus of \$100,000 and an additional bonus of \$1,250,000.

In his capacity as a non-executive Director of GEH and certain of GEH's subsidiaries, Dr Cheong receives Directors' fees and the amount of his Directors' fees for the financial year ended 31 December 2008 has been included in the total amount of Directors' remuneration disclosed in the financial statements. In his capacity as a Director of OCBC Bank, Dr Cheong is also eligible for any Directors' fees or share options from OCBC Bank that are recommended by the Board of Directors of OCBC Bank. Dr Cheong's total remuneration (including the payments mentioned above and all benefits, variable bonus, Directors' fees and share options) for the financial year ended 31 December 2008 is reflected in OCBC Bank's Annual Report.

DIRECTORS' REPORT

5 SHARE OPTIONS

No share options have been granted under the GEH Scheme since 18 November 2004. There were no options outstanding under the GEH Scheme as at 31 December 2008. No options have been granted pursuant to the GEH Scheme to controlling shareholders of the Company and their associates. No participants in the GEH Scheme had previously received 5% or more of the total number of options available under the GEH Scheme. No options had been granted at a discount since the commencement of the GEH Scheme.

Certain Directors of the Company, in particular those who are also Directors of OCBC Bank, are participants of the OCBC Share Option Scheme 2001 and certain other plans implemented by OCBC Bank, such as the OCBC Deferred Share Plan and the OCBC Employee Share Purchase Plan. Directors' interests in shares and share options in OCBC Bank are set out in paragraph 3 above.

6 AUDIT COMMITTEE

The Audit Committee ("AC") comprises four non-executive independent Directors. The AC members at the date of this report are Mr Tan Yam Pin (AC Chairman), Mrs Fang Ai Lian, Tan Sri Dato' Dr Lin See-Yan and Professor Neo Boon Siong. The AC convened six meetings during the financial year under review.

The AC performs the functions specified under section 201B(5) of the Companies Act, Chapter 50, including review with the auditors their audit plan, their evaluation of the system of internal accounting controls and their audit report, review the assistance given by the Company's officers to the auditors, review the scope and results of the internal audit procedures, review the financial statements of the Company and of the Group and the auditors' report thereon, and thereafter submits them to the Company's Board of Directors. Details of the functions performed by the AC, including functions specified in the Listing Manual and the Code of Corporate Governance 2005, are set out in the Report on Corporate Governance included in the Company's Annual Report for the financial year ended 31 December 2008.

The AC has nominated Ernst & Young LLP for re-appointment as auditors at the Annual General Meeting of the Company.

7 AUDITORS

The auditors, Ernst & Young LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

FANG AI LIAN

Chairman

NG KENG HOOI

Director

Singapore

17 February 2009

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 201(15)

We, Fang Ai Lian and Ng Keng Hooi, being two of the Directors of Great Eastern Holdings Limited (the “Company”), do hereby state that, in the opinion of the Directors:

- (i) the accompanying financial statements of the Company and its subsidiaries (collectively, the “Group”), which comprise the balance sheets of the Group and of the Company as at 31 December 2008, the profit and loss statements and the statements of changes in equity of the Group and of the Company and the statement of cash flows, the life assurance revenue statement and general insurance revenue statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008, the results and changes in equity of the Group and of the Company and the cash flows and results of the insurance operations of the Group for the financial year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

FANG AI LIAN

Chairman

NG KENG HOOI

Director

Singapore

17 February 2009

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GREAT EASTERN HOLDINGS LIMITED

We have audited the accompanying financial statements of Great Eastern Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 131, which comprise the balance sheets of the Group and of the Company as at 31 December 2008, the profit and loss statements and the statements of changes in equity of the Group and of the Company and the statement of cash flows, the life assurance revenue statement and general insurance revenue statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion,

- (i) the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008, the results and changes in equity of the Group and of the Company and the cash flows and results of the insurance operations of the Group for the financial year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP

Public Accountants and Certified Public Accountants
Singapore
17 February 2009

PROFIT & LOSS STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Note	Group		Company	
		2008	2007	2008	2007
Gross Written Premiums		7,029.7	5,997.7	–	–
Life assurance profit from:					
Participating Fund		102.0	142.9	–	–
Non-participating Fund		129.8	302.0	–	–
Investment-linked Fund		68.6	64.3	–	–
Profit from life assurance		300.4	509.2	–	–
Profit from general insurance		16.6	28.1	–	–
Profit from insurance operations		317.0	537.3	–	–
Dividend from subsidiaries		–	–	231.7	37.3
Investment income, net	4	109.6	92.8	0.2	1.0
Gain on sale of investments and changes in fair value	5	2.8	36.2	32.6	1.8
Increase in provision for impairment of assets	6	(52.4)	(4.6)	(1.8)	–
Loss in exchange differences		(19.1)	(12.9)	–	–
Profit from investments		40.9	111.5	262.7	40.1
Fees and other income		79.5	105.6	–	–
Profit before expenses		437.4	754.4	262.7	40.1
<i>less:</i>					
Management and other expenses		125.2	81.1	6.7	5.5
Depreciation	27	1.0	1.2	0.1	–
Expenses		126.2	82.3	6.8	5.5
Profit after expenses		311.2	672.1	255.9	34.6
Share of loss of associates		(6.9)	(0.6)	–	–
Share of loss of joint ventures		(4.4)	(2.0)	–	–
		299.9	669.5	255.9	34.6
<i>less:</i> Income tax	9	15.2	106.3	(0.5)	(0.1)
Net profit after income tax		284.7	563.2	256.4	34.7
Attributable to:					
Shareholders		272.4	546.9	256.4	34.7
Minority interest		12.3	16.3	–	–
		284.7	563.2	256.4	34.7
Basic and diluted earnings per share (in Singapore Dollars)	10	\$0.58	\$1.16		

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		Shareholders' Fund	
		2008	2007	2008	2007	2008	2007	2008	2007
Share capital	11	247.4	247.4	247.4	247.4	–	–	247.4	247.4
Reserves									
Merger reserve	12	–	15.8	–	15.8	–	–	419.2	435.0
Translation reserve	12	(25.9)	(17.4)	(25.9)	(17.4)	–	–	–	–
Fair value reserve	12	(82.4)	210.0	(82.4)	210.0	–	–	–	–
Accumulated profit		2,872.1	2,830.0	2,872.1	2,830.0	–	–	735.7	709.6
SHAREHOLDERS' FUND		3,011.2	3,285.8	3,011.2	3,285.8	–	–	1,402.3	1,392.0
MINORITY INTEREST		28.5	32.9	28.5	32.9	–	–	–	–
TOTAL EQUITY		3,039.7	3,318.7	3,039.7	3,318.7	–	–	1,402.3	1,392.0
LIABILITIES									
Income tax		166.7	259.3	82.1	152.3	84.6	107.0	(0.7)	(0.7)
Other creditors and interfund balances	13	2,036.9	1,443.9	413.3	501.6	1,623.6	942.3	4.9	4.5
Reinsurance liabilities	14	75.6	67.8	19.7	16.1	55.9	51.7	–	–
Unexpired risk reserve	15	67.1	59.7	67.1	59.7	–	–	–	–
Policy benefits		1,839.6	1,645.2	–	–	1,839.6	1,645.2	–	–
Claims admitted or intimated		178.4	165.3	–	–	178.4	165.3	–	–
Agents' retirement benefits	7	183.2	183.6	–	–	183.2	183.6	–	–
Deferred tax	9	486.7	1,019.1	–	54.5	486.7	964.6	–	–
Amounts due to subsidiaries, associates and joint ventures	24	0.5	–	0.5	–	–	–	–	–
General insurance fund	16	96.0	109.1	96.0	109.1	–	–	–	–
Life assurance fund	17	35,855.8	38,243.7	–	–	35,855.8	38,243.7	–	–
TOTAL EQUITY AND LIABILITIES		44,026.2	46,515.4	3,718.4	4,212.0	40,307.8	42,303.4	1,406.5	1,395.8
ASSETS									
Cash and cash equivalents		4,030.4	2,768.3	557.9	419.0	3,472.5	2,349.3	17.8	19.1
Other debtors and interfund balances	18	1,761.3	1,365.8	785.5	619.1	975.8	746.7	–	–
Outstanding premiums		177.2	168.7	11.0	10.8	166.2	157.9	–	–
Reinsurance assets	19	66.7	79.0	66.6	65.6	0.1	13.4	–	–
Deferred tax	9	22.1	–	22.1	–	–	–	–	–
Loans	20	3,809.5	3,469.2	113.6	143.3	3,695.9	3,325.9	–	–
Investments	21	31,795.0	35,993.7	2,082.6	2,855.4	29,712.4	33,138.3	–	–
Associates and joint ventures	22	455.1	581.9	57.4	77.3	397.7	504.6	–	–
Subsidiaries	23	–	–	–	–	–	–	635.5	635.6
Amounts due from subsidiaries, associates and joint ventures	24	5.7	66.3	–	–	5.7	66.3	752.9	740.8
Goodwill	25	25.5	25.5	18.7	18.7	6.8	6.8	–	–
Investment properties	26	1,073.5	1,178.3	–	–	1,073.5	1,178.3	–	–
Property, plant and equipment	27	804.2	818.7	3.0	2.8	801.2	815.9	0.3	0.3
TOTAL ASSETS		44,026.2	46,515.4	3,718.4	4,212.0	40,307.8	42,303.4	1,406.5	1,395.8

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY – GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Note	Attributable to shareholders of the Company					Total	Minority Interest	Total Equity
		Share Capital	Merger Reserve	Translation Reserve	Fair Value Reserve	Accumulated Profit			
Balance at 1 January 2008		247.4	15.8	(17.4)	210.0	2,830.0	3,285.8	32.9	3,318.7
Net profit / (loss) recognised directly in equity for year ended 31 December 2008:									
(1) Exchange differences arising on translation of overseas entities		–	–	(8.5)	–	–	(8.5)	(0.2)	(8.7)
Current year movements in Fair Value Reserve:									
Fair value changes on remeasuring available-for-sale investments		–	–	–	(330.3)	–	(330.3)	(1.1)	(331.4)
Fair value changes transferred to Profit and Loss Statement during the year		–	–	–	(29.0)	–	(29.0)	–	(29.0)
Deferred tax on fair value changes		–	–	–	66.8	–	66.8	0.2	67.0
Deferred tax – effect of change in tax rate		–	–	–	0.1	–	0.1	–	0.1
Net profit / (loss) recognised directly in equity		–	–	(8.5)	(292.4)	–	(300.9)	(1.1)	(302.0)
Net profit for the year		–	–	–	–	272.4	272.4	12.3	284.7
Total recognised profit / (loss) for the year		–	–	(8.5)	(292.4)	272.4	(28.5)	11.2	(17.3)
(2) Transfer from Merger Reserve to Accumulated Profit		–	(15.8)	–	–	15.8	–	–	–
Dividends paid during the year:									
Final and special final tax exempt (one-tier) dividends for the previous year	34	–	–	–	–	(198.8)	(198.8)	–	(198.8)
Interim tax exempt (one-tier) dividend	34	–	–	–	–	(47.3)	(47.3)	–	(47.3)
Dividends paid to minority interest		–	–	–	–	–	–	(8.4)	(8.4)
Liquidation proceeds paid to minority interest		–	–	–	–	–	–	(7.2)	(7.2)
Balance at 31 December 2008		247.4	–	(25.9)	(82.4)	2,872.1	3,011.2	28.5	3,039.7

STATEMENTS OF CHANGES IN EQUITY – GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Note	Attributable to shareholders of the Company					Total	Minority Interest	Total Equity
		Share Capital	Merger Reserve	Translation Reserve	Fair Value Reserve	Accumulated Profit			
Balance at 1 January 2007		247.4	125.8	(20.3)	146.8	2,435.7	2,935.4	33.0	2,968.4
Net profit / (loss) recognised directly in equity for year ended 31 December 2007:									
Exchange differences arising on translation of overseas entities		–	–	2.9	–	–	2.9	(0.8)	2.1
Current year movements in Fair Value Reserve:									
Fair value changes on remeasuring available-for-sale investments		–	–	–	99.8	–	99.8	1.5	101.3
Fair value changes transferred to Profit and Loss Statement during the year		–	–	–	(28.5)	–	(28.5)	–	(28.5)
Deferred tax on fair value changes		–	–	–	(13.2)	–	(13.2)	(0.3)	(13.5)
Deferred tax – effect of change in tax rate		–	–	–	5.1	–	5.1	–	5.1
Net profit recognised directly in equity		–	–	2.9	63.2	–	66.1	0.4	66.5
Net profit for the year		–	–	–	–	546.9	546.9	16.3	563.2
Total recognised profit for the year		–	–	2.9	63.2	546.9	613.0	16.7	629.7
⁽²⁾ Transfer from Merger Reserve to Accumulated Profit		–	(110.0)	–	–	110.0	–	–	–
Dividends paid during the year:									
Final and special final dividends for the previous year (net of 18% Singapore Tax)	34	–	–	–	–	(186.3)	(186.3)	–	(186.3)
Interim dividend (net of 18% Singapore Tax)	34	–	–	–	–	(2.5)	(2.5)	–	(2.5)
Interim dividend (net of 27% Malaysia Tax)	34	–	–	–	–	(73.8)	(73.8)	–	(73.8)
Dividends paid to minority interest		–	–	–	–	–	–	(16.8)	(16.8)
Balance at 31 December 2007		247.4	15.8	(17.4)	210.0	2,830.0	3,285.8	32.9	3,318.7

⁽¹⁾ Included in exchange differences arising on translation of overseas entities is a translation gain of \$6.5 million (2007: translation gain of \$0.6 million) pertaining to the Group's share of exchange differences of associates and joint ventures.

⁽²⁾ The Group's subsidiary, The Overseas Assurance Corporation Limited ("OAC"), declared a tax exempt (one-tier) dividend of \$80.0 million (2007: \$110.0 million), of which \$15.8 million (2007: \$110.0 million), was distributed from its pre-acquisition reserve to the Group. A corresponding transfer was made from the merger reserve to accumulated profit to reflect the release of OAC's pre-acquisition reserve from the distribution.

STATEMENTS OF CHANGES IN EQUITY – COMPANY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Note	Share Capital	Merger Reserve	Accumulated Profit	Total
Balance at 1 January 2008		247.4	435.0	709.6	1,392.0
Net profit for the year		–	–	256.4	256.4
⁽¹⁾ Transfer from Merger Reserve to Accumulated Profit		–	(15.8)	15.8	–
Dividends paid during the year:					
Final and special final tax exempt (one-tier) dividends for the previous year	34	–	–	(198.8)	(198.8)
Interim tax exempt dividend	34	–	–	(47.3)	(47.3)
Balance at 31 December 2008		247.4	419.2	735.7	1,402.3
Balance at 1 January 2007		247.4	545.0	827.5	1,619.9
Net profit for the year		–	–	34.7	34.7
⁽¹⁾ Transfer from Merger Reserve to Accumulated Profit		–	(110.0)	110.0	–
Dividends paid during the year:					
Final and special final dividends for the previous year (net of 18% Singapore Tax)	34	–	–	(186.3)	(186.3)
Interim dividend (net of 18% Singapore Tax)	34	–	–	(2.5)	(2.5)
Interim dividend (net of 27% Malaysia Tax)	34	–	–	(73.8)	(73.8)
Balance at 31 December 2007		247.4	435.0	709.6	1,392.0

- ⁽¹⁾ The Group's subsidiary, The Overseas Assurance Corporation Limited ("OAC"), declared a tax exempt (one-tier) dividend of \$80.0 million (2007: \$110.0 million), of which \$15.8 million (2007: \$110.0 million), was distributed from its pre-acquisition reserve to the Group. A corresponding transfer was made from the merger reserve to accumulated profit to reflect the release of OAC's pre-acquisition reserve from the distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Note	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		299.9	669.5
Amount from life assurance revenue statement		2,536.7	1,319.1
Retained in life assurance fund		(2,491.4)	(509.7)
Excess of income over expenses before income tax from general insurance revenue statement		22.8	38.5
<i>Adjustments for non-cash items:</i>			
Surplus transferred from life assurance fund but not yet withdrawn		(300.4)	(509.2)
Profit transferred from general insurance fund but not yet withdrawn		(16.6)	(28.1)
Share of loss / (profit) of associates and joint ventures		42.7	(27.1)
Amortisation of difference in purchase consideration over nominal value of government securities, loan stocks and bonds		(17.0)	(3.1)
Loss / (gain) on sale of investments and changes in fair value	5	1,487.0	(1,711.7)
Increase in provision for impairment of assets	6	486.6	2.8
Increase in provision for agents' retirement benefits	7	25.0	22.7
Gain on disposal of property, plant and equipment and investment properties	8	(8.7)	(0.5)
Depreciation	27	54.1	44.8
Unrealised loss in exchange differences		21.6	65.5
Dividend income	4	(366.4)	(393.0)
Interest income	4	(1,335.2)	(1,253.2)
Interest expense on policy benefits	8	70.6	59.8
Share-based payments	8	4.9	2.1
		516.2	(2,210.8)
<i>Changes in working capital:</i>			
Reinsurance assets		10.9	(21.9)
Outstanding premiums		(8.5)	(14.2)
Other debtors and interfund balances		(395.5)	(487.4)
Insurance contract liabilities	17	1,192.7	2,492.8
Loss reserves	16	0.3	18.0
Claims admitted and intimated		13.1	16.5
Policy benefits		194.4	170.7
Unexpired risk reserve	15	9.0	4.3
Reinsurance liabilities		7.8	17.4
Other creditors and interfund balances		588.1	430.2
Cash generated from operations		2,128.5	415.6
Income tax paid		(221.4)	(235.0)
Interest paid on policy benefits		(70.6)	(59.8)
Agents' retirement benefits paid	7	(16.4)	(7.2)
Net cash flows from operating activities		1,820.1	113.6

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Note	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		17,912.4	20,165.4
Purchase of investments		(19,259.4)	(22,604.4)
Proceeds from reduction of interests in associates	22	77.1	64.7
Repayment of loan by joint ventures	24	60.6	–
Capital injection in associates	22	(19.0)	(56.6)
Repayment of loan by subsidiary company		–	14.7
Proceeds from sale of property, plant and equipment and investment properties		24.5	9.9
Purchase of property, plant and equipment and investment properties	26, 27	(97.6)	(107.5)
Interest income received	4	1,335.2	1,253.2
Dividend received	4	366.4	393.0
Net cash flows from / (used in) investing activities		400.2	(867.6)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	34	(246.1)	(262.6)
Dividends paid to minority interest		(8.4)	(16.8)
Liquidation distribution paid to minority interest		(7.2)	–
Net cash flows used in financing activities		(261.7)	(279.4)
Net effect of translation reserve adjustment		(696.5)	(22.2)
Net increase / (decrease) in cash and cash equivalents		1,262.1	(1,055.6)
Cash and cash equivalents at the beginning of the year		2,768.3	3,823.9
Cash and cash equivalents at the end of the year		4,030.4	2,768.3
Cash and cash equivalents comprise:			
Cash and bank balances		772.9	427.0
Cash on deposit		2,405.7	1,539.6
Short term instruments		851.8	801.7
		4,030.4	2,768.3

Included in the cash and cash equivalents are bank deposits amounting to \$1.5 million (2007: \$1.5 million) which are lodged with the regulator as statutory deposits and are not available for use by the Group.

LIFE ASSURANCE REVENUE STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Note	Group	
		2008	2007
Income			
Gross written premiums		6,884.4	5,872.7
<i>less:</i> Premiums ceded to reinsurers		78.7	79.6
Net earned premiums		6,805.7	5,793.1
Commissions received from reinsurers		10.4	9.2
Investment income, net	4	1,526.2	1,466.8
Rental income, net		56.6	47.3
(Loss) / gain on sale of investments and changes in fair value	5	(1,491.1)	1,651.1
(Increase) / decrease in provision for impairment of assets	6	(431.7)	1.8
Loss in exchange differences		(70.2)	(100.6)
		6,405.9	8,868.7
<i>less: Expenses</i>			
Gross claims, surrenders and annuities		4,261.2	4,874.9
<i>less:</i> Claims, surrenders and annuities recovered from reinsurers		34.2	31.5
		4,227.0	4,843.4
Commissions and agency expenses		531.1	491.0
Management expenses		300.8	196.0
Agents' retirement benefits	7	25.0	22.7
Depreciation	27	52.6	43.1
Change in life assurance fund contract liabilities	17	(1,298.7)	1,983.1
		3,837.8	7,579.3
		2,568.1	1,289.4
Share of (loss) / profit of associates		(36.2)	30.4
Share of profit / (loss) of joint ventures		4.8	(0.7)
		2,536.7	1,319.1
<i>less:</i> Income tax	9	(255.1)	300.2
	17	2,791.8	1,018.9
Retained in life assurance fund		2,491.4	509.7
Transferred to profit and loss statement		300.4	509.2
		2,791.8	1,018.9

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

GENERAL INSURANCE REVENUE STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Note	Group	
		2008	2007
Income			
Gross written premiums		145.3	125.0
<i>less:</i> Premiums ceded to reinsurers		61.3	54.5
Premiums less premiums ceded to reinsurers		84.0	70.5
<i>less:</i> Increase in unexpired risk reserve during the year	15	6.9	3.5
Net earned premiums		77.1	67.0
Commissions received from reinsurers		17.7	16.1
Total income		94.8	83.1
<i>less: Expenses</i>			
Gross claims and increase in loss reserves		56.1	67.8
<i>less:</i> Claims recovered from reinsurance and increase in reinsurance loss reserve		22.4	29.1
Net claims and increase in loss reserves		33.7	38.7
Commissions and agency expenses		23.9	19.1
Management expenses		20.2	19.1
Depreciation	27	0.5	0.5
Total expenses		78.3	77.4
Net underwriting profit		16.5	5.7
Investment income, net	4	7.5	8.3
Gain on sale of investments and changes in fair value	5	1.3	24.4
Increase in provision of impairment of assets	6	(2.5)	–
Gain in exchange differences		–	0.1
Profit from investments		6.3	32.8
Excess of income over expenses before income tax		22.8	38.5
<i>less:</i> Income tax	9	6.2	10.4
Profit from general insurance transferred to profit and loss statement		16.6	28.1

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

Great Eastern Holdings Limited (the “Company” or “GEH”) is a limited liability company which is incorporated in the Republic of Singapore. The notes refer to the Company and the Group unless otherwise stated. The registered office and principal place of business of the Company is located at 1 Pickering Street, #16-01, Great Eastern Centre, Singapore 048659.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries within the Group are stated in Note 3. There have been no significant changes in the nature of these activities during the financial year.

The Company’s immediate and ultimate holding company is Oversea-Chinese Banking Corporation Limited (“OCBC Bank”), which prepares financial statements for public use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The consolidated financial statements have been prepared in accordance with the Singapore Financial Reporting Standard (“FRS”) and Interpretations of FRS (“INT FRS”) as required by the Companies Act, Chapter 50. The basis for preparation of the financial statements is fund accounting and the profit determination of the insurance funds is determined in accordance with the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The accounting policies have been consistently applied by the Company and the Group and are consistent with those used in the previous financial year.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded off to the nearest \$0.1 million except as otherwise stated.

2.2 FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

FRS	Title	Effective date (Annual periods beginning on or after)
FRS 1	Presentation of Financial Statements – Revised presentation	1 January 2009
FRS 1	Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Amendment to FRS 23 Borrowing Costs	1 January 2009
FRS 27	Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items	1 July 2009
FRS 101	First-time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	Share-based payment – Vesting conditions and cancellations	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2009
INT FRS 117	Distribution of Non-cash Assets to Owners	1 July 2009
Various	Improvements to FRS	1 January 2009

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 FRS and INT FRS not yet effective (continued)

The Directors expect that the adoption of the above pronouncement will not have material impact on the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

FRS 1, Presentation of Financial Instruments – Revised Presentation requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income where it presents all items of income and expense, either in one single statement, or in two linked statements. The Group is still evaluating the format to adopt.

FRS 108, Operating Segments requires entities to disclose segment information based on the information reviewed by the entity's chief executive officer. The impact of this standard on the other segment disclosures has yet to be fully assessed. As this is a disclosure standard, it will have no impact on the financial position and results of the Group when implemented in 2009.

2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries as at the balance sheet date, after the elimination of all material intercompany transactions. The financial statements of the subsidiaries used in the preparation of consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances. A list of the Company's subsidiaries is shown in Note 3.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.3.1 Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain economic benefits from their activities.

At the Company level, investments in subsidiaries are accounted for at cost less impairment losses.

2.3.2 Associates and Joint Ventures

Associates are entities over which the Group has significant influence. Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that are subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in associate and joint venture is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate and joint venture. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate or joint venture.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of Consolidation (continued)

2.3.2 Associates and Joint Ventures (continued)

Associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence. Joint ventures are equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company, unless it is not practical to do so. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.3.3 Transactions with Minority Interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the Consolidated Profit and Loss Statement and within equity in the Consolidated Balance Sheet, separately from Shareholders' Equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between shareholders and recognised directly in equity. Gain or loss on disposal is recognised directly in equity.

2.4 Foreign Currency Conversion and Translation

2.4.1 Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Singapore dollars, which is the Company's functional and presentation currency.

2.4.2 Transactions and Balances

Foreign currency transactions are recorded in the respective functional currencies of the Company and its subsidiaries at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated to the respective entities' functional currencies at the exchange rates prevailing at the balance sheet date. Exchange differences arising on settlement and translation of such items are recognised in the Profit and Loss Statement or Revenue Statements.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rate at the date when the fair value is determined. Exchange differences on non-monetary items such as equity investments classified as available-for-sale financial assets are included in the fair value reserve in equity.

2.4.3 Foreign Operations

The assets and liabilities of foreign operations are translated at the exchange rates prevailing at the balance sheet date. Income and expense items are translated at average exchange rates, which approximate the exchange rates at dates of the transactions. The exchange differences arising from the translation are recognised in the Statement of Changes in Equity, Life Assurance Fund or General Insurance Fund as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences in the currency translation reserve is recognised in the Profit and Loss Statement or Revenue Statements as gain or loss on disposal of the operation.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Insurance Contracts

2.5.1 The insurance subsidiaries within the Group write insurance contracts in accordance with the local Insurance Regulations prevailing in the jurisdictions in which the insurance subsidiary operates.

Insurance contract liabilities are classified into principal components as follows:

- (a) Life Assurance Fund contract liabilities; comprising
 - Participating Fund contract liabilities;
 - Non-Participating Fund contract liabilities; and
 - Investment Linked Fund contract liabilities.
- (b) General Insurance Fund contract liabilities.
- (c) Reinsurance contracts.

2.5.2 The Group is not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the Insurance Revenue Statements.

2.5.3 The Group does not adopt a policy of deferring acquisition costs for its insurance contracts.

Life Assurance Fund Contract Liabilities

2.5.4 The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Group. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group would include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholder accrue directly to the policyholder.

2.5.5 A significant portion of insurance contracts issued by subsidiaries within the Group contain a discretionary participating feature. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contract entitles the policyholder to receive benefits, which could vary according to investment performance of the fund. The Group does not recognise the guaranteed component separately from the discretionary participating feature.

2.5.6 For the purpose of FRS 104, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for deposit component. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are insurance contracts as at the date of this balance sheet.

2.5.7 Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the Revenue Statements of the respective insurance funds.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Insurance Contracts (continued)

Life Assurance Fund Contract Liabilities (continued)

2.5.8 The valuation of insurance contract liabilities is determined according to:

- (a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore; and
- (b) Malaysia Insurance Act and Regulations 1996 for insurance funds regulated in Malaysia.

TABLE 2.5 below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

	SINGAPORE	MALAYSIA
Valuation Method	Gross Premium	Net Premium for Participating and Non-Participating Fund. Cash flow projection for Investment Linked Fund.
Interest Rate	Singapore Government Bond yields for cash flows up to year 10, the Long Term Risk Free Discount Rate (LTRFDR) for cash flows year 15 and after, and an interpolation of the 10-year Singapore Government Bond yield and the LTRFDR for cash flows between 10 to 15 years. Data source: SGS website	Rates equal to or more conservative than the minimum rate prescribed by the Insurance Act and Regulations. Participating Fund: Either 3.5% or 4.0% for regular premium within respective product groups, 4.5% for single premium products. Non-Participating and Investment Linked Fund: 4.0% for regular premium and 4.5% for single premium products. Data source: rates equal to or more conservative than the minimum rate prescribed by the Act.
Mortality	Best estimates plus provision for adverse deviation. Data source: internal experience studies	Participating and Non-Participating Funds: Prescribed table per regulation Table: 100% SMVT1996 Adjustment for females: 3 years setback Investment Linked Fund: Table: 100% M8388 industry table Adjustment for females: 3 years setback
Disability	Best estimates plus provision for adverse deviation. Data source: internal experience studies	Included in death rates
Dread disease	Best estimates plus provision for adverse deviation. Data source: internal experience studies	Table: 150% Cologne Re male smoker mortality rates
Expenses	Best estimates plus provision for adverse deviation. Data source: internal experience studies	Participating and Non-Participating Funds: Not applicable Investment Linked Fund: Best estimates
Lapse and surrenders	Best estimates plus provision for adverse deviation. Data source: internal experience studies	Participating and Non-Participating Funds: Not applicable Investment Linked Fund: Best estimates

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Insurance Contracts (continued)

Life Assurance Fund Contract Liabilities (continued)

2.5.9 Each insurance subsidiary within the Group is required by the Insurance Regulations to carry out a liability adequacy test using current estimates of future cash flows under its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed and the discretionary participation feature; the assumptions are based on best estimates, the basis adopted is prescribed by the Insurance Regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the Revenue Statements.

2.5.10 The Group issues investment linked contracts as an insurance contract which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment linked fund set up by the insurance subsidiary. As this embedded derivative meets the definition of an insurance contract it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies as stated under the terms and conditions of the insurance contracts.

General Insurance Fund Contract Liabilities

2.5.11 The Group issues short term property and casualty contracts which protect the policyholder against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contract and / or business interruption contract; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contract. The Group also issues short term medical and personal accident general insurance contracts.

2.5.12 Claims on general insurance contracts are payable on a claim-occurrence basis. The Group is liable for insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. Hence, liability claims could be settled over a long period of time. The provision for incurred but not reported (IBNR) claims is classified as liability and included in the General Insurance Fund Contract Liabilities.

2.5.13 The Group uses a combination of estimates derived from loss-ratio estimate and actual claims experience, to estimate the loss reserves and IBNR claims reserves.

2.5.14 The valuation of general insurance contract liabilities at balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For Singapore, as required by the local Insurance Regulations, the provision for adverse deviation is set at 75 per cent sufficiency. For Singapore, the valuation methods used include the Paid Claim Development method, the Incurred Claim Development method, the Bornhuetter-Ferguson Method, the Mack's Method and the Expected Loss Ratio Method. For Malaysia, the Link Ratio method is used.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Insurance Contracts (continued)

Reinsurance Contracts

2.5.15 The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the Revenue Statement. Gains or losses on reinsurance are recognised in the Revenue Statement immediately at the date of contract. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurers where the Group assumes insurance risks. Amounts payable are estimated according to the provisions in the reinsurance contract.

2.6 Profit from Insurance Funds

Profit derived from the insurance funds is categorised as follows:

2.6.1 Life Assurance – Participating Fund

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders' benefits of the participating fund) parameters which are set out in the Insurance Regulations of the respective jurisdiction in which the insurance subsidiaries operate. The provisions in Articles of Association of the insurance subsidiaries within the Group are applied in conjunction with the prescriptions in the respective Insurance regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholder bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the Board of Directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective insurance subsidiary, in accordance with the Insurance Regulations and the Articles of Association of the respective insurance subsidiaries.

2.6.2 Life Assurance – Non-Participating Fund

Revenue consists of premiums, investment and interest income; including fair value movements of certain assets as prescribed by the appropriate Insurance Regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue and expenses of non-participating fund and the results of the annual actuarial valuation of the liabilities in accordance with the requirements of the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore non-participating funds include fair value change of asset values measured in accordance with the Singapore Insurance Regulations.

2.6.3 Life Assurance – Investment Linked Fund

Revenue essentially consists of bid-ask spread and fees for mortality and other insured event, asset management, policy administration and surrender charges. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit is derived from revenue net of expenses and provision for the annual actuarial valuation of liabilities in accordance with the requirements of the Insurance Regulations, in respect of the non-unit-linked part of the fund.

2.6.4 General Insurance Fund

Revenue consists of premiums and investment income. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Loss reserves or reserves for claims incurred but not reported are reviewed and provisions made at each reporting date. The sum of premium, expenses and reserves is underwriting performance for the period. Investment and interest income include changes in fair value of assets valued in accordance with the requirements of the appropriate Insurance Regulations. Profit or loss from the General Insurance Fund is derived from the sum of underwriting and investment performance.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Recognition of Income and Expense

2.7.1 Premiums and Commissions

Life Assurance Business

Recurring premiums from policyholders are recognised as revenue on their respective payment due dates. Single premiums are recognised on the date on which the policy is effective.

General Insurance Business

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover, in the General Insurance Revenue Statement. Premiums pertaining to periods outside of the financial reporting period are adjusted through the movement in unexpired risk reserves. The commission expense is accrued in full upon the risk underwritten as reflected in the premium recognised (see note 2.10).

Premiums ceded out and the corresponding commission income from general insurance contracts are recognised in the General Insurance Revenue Statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premiums ceded out pertaining to periods outside of the financial reporting period are adjusted through the unexpired risk reserves.

2.7.2 Interest Income

Interest income is recognised using the effective interest method.

2.7.3 Dividends

Dividend income is recognised as investment income when the Group's right to receive the payment is established. Dividend income from the Company's subsidiaries is recognised when the dividend is declared payable.

2.7.4 Rental

Rental income from operating leases is recognised on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2.7.5 Gain / Loss on Sale of Investments

Gains or losses on sale of investments are derived from the net sales proceeds and the purchase or amortised cost. They are recognised on trade date.

2.7.6 Provision for Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Revenue Statements or Profit and Loss Statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the Revenue Statements or Profit and Loss Statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Recognition of Income and Expense (continued)

2.7.7 Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events like significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that financial asset because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an asset is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Profit and Loss Statement or Revenue Statement.

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

(b) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale Financial Assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the Revenue Statements or Profit and Loss Statement is transferred from equity to the Revenue Statements or Profit and Loss Statement. Impairment losses on debt instruments are reversed if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss were recognised through the Revenue Statements or Profit and Loss Statement. Such reversals are recognised in the Revenue Statements or Profit and Loss Statement. Reversal of impairment losses on equity instruments are not recognised in the Profit and Loss Statement.

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, an impairment loss is provided.

2.7.8 Fees and Other Income

Management and advisory fee income is recognised as revenue over the period in which the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Recognition of Income and Expense (continued)

2.7.9 Employee Benefits

Defined contribution plans under statutory regulations

The Group participates in the national pension schemes as defined by the laws of the countries in which it operates. These contributions are recognised as an expense in the period in which the service is rendered.

Employee Leave Entitlements

An employee's entitlement to annual leave and long-service leave is estimated and accrued according to the Group's Human Resource policy.

Share Options

Senior executives of the Group are granted share options in the OCBC Bank's Share Option Scheme. Options granted generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from date of grant. The fair value of the share options is recognised as employee costs in the Profit and Loss Statement or Revenue Statements of the respective insurance funds. The Group uses the binomial model to derive the fair value of share options granted by OCBC Bank. The value of the share options is recognised in the Profit and Loss Statement or Revenue Statements over the vesting period of the share options. At each balance sheet date, the Group revises its estimates of number of options that are expected to become exercisable, and changes, if any, is recognised in the Profit and Loss Statement or Revenue Statements.

In addition to the OCBC Bank's Share Option Scheme, certain employees within the Group are granted OCBC shares under the OCBC Deferred Share Plan ("DSP"). Shares granted under DSP will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period. The cost of the DSP is recognised in the Profit and Loss or Revenue Statements on the straight-line basis over the vesting period of the DSP.

At each balance sheet date, the cumulative expense is adjusted for the estimated number of shares granted under the DSP that have vested and / or lapsed.

2.7.10 Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Initial costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

Operating lease payments are recognised as an expense in the Profit and Loss Statement or Revenue Statements on a straight-line basis over the lease term.

2.8 Income Taxes

2.8.1 Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Income Taxes (continued)

2.8.2 Deferred Tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences; and future policyholders' bonus in the participating fund of the Singapore insurance subsidiaries. Exceptions include:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates (and applicable tax laws and jurisdictions) that have been enacted or substantively enacted at the balance sheet date.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Conversely, the Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Income tax relating to items recognised directly in Equity or Insurance Funds is recognised in Equity or Insurance Funds as the case may be.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.8.3 Sales Tax

Revenues, expenses and assets are recognised net of amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Provisions

Provisions are recognised when the Group has an obligation, either legal or constructive, where it is probable that an outflow of resources will be required to settle the obligation which can be reliably estimated.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2.10 Unexpired Risk Reserve

Unexpired Risk Reserve (“URR”) represents the portion of the written premiums of general insurance policies, gross of commission payable to intermediaries attributable to periods after the financial year, in the form of unearned premium. The change in the provision for unearned premium is taken to the Revenue Statements in the order that revenue is recognised over the period of the risk exposure. Further provisions are made for claims anticipated under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

URR is computed using the 1/24th method reduced by the corresponding percentage of accounted gross direct business, commissions and agency related expenses not exceeding limits specified by regulators in the respective jurisdictions in which the Group operates.

2.11 Policy Benefits

Policy benefits are recognised when the policyholder exercises the option to deposit the survival benefits with the life assurance subsidiary companies when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiary companies. Interest on policy benefits is recognised in the Revenue Statements as incurred.

2.12 Claims Admitted or Intimated

Full provision is made for the estimated cost of all life assurance claims notified but not settled at balance sheet date. Provision is made for claims incurred but not reported for all classes of general insurance business written, using a mathematical method for deriving the estimates.

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with maturity of three months or less.

2.14 Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the Revenue Statement. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.18 have been met.

2.15 Financial Assets

Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual obligations of the financial asset. When financial assets are recognised initially, they are measured at fair value. In the case of financial assets not at fair value through profit or loss, they are measured at fair value plus attributed transaction costs.

Purchases and sales of financial assets and liabilities are recognised on trade date i.e., the date that the Group contracts to purchase or sell the asset.

2.15.1 Financial Assets at Fair Value through Revenue Statements of Insurance Funds and Profit and Loss Statement

Financial assets held for trading are classified as financial assets at fair value through Revenue Statements of Insurance Funds and Profit and Loss. Financial assets held for trading are derivatives, embedded derivatives or assets acquired principally for the purpose of selling in the short term.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Financial Assets (continued)

2.15.1 Financial Assets at Fair Value through Revenue Statements of Insurance Funds and Profit and Loss Statement (continued)

Investments under unit-linked funds are designated as fair value through profit and loss at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

Derivatives are financial instruments or contracts where its values vary according to changes in interest rate, foreign exchange rate, credit spreads or other variable. The Group uses derivatives such as interest rate swaps and foreign exchange contracts for risk mitigation. Embedded derivatives are hybrid financial instruments that include also a non-derivative host contract. The Group does not adopt hedge accounting.

Subsequent to initial recognition, financial assets at fair value through Revenue Statements of Insurance Funds and Profit and Loss Statement are measured at fair value. Gains or losses arising from changes in fair value of the financial assets are recognised in the Revenue Statements or Profit and Loss Statement.

2.15.2 Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the Revenue Statements of Insurance Funds and Profit and Loss Statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.15.3 Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets not classified in any of the other asset categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in the fair value reserve in the Statement of Changes in Equity or Insurance Funds, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the Revenue Statements or Profit and Loss Statement accordingly. The cumulative gain or loss previously recognised in equity is recognised in the Revenue Statements of Insurance Funds and Profit and Loss Statement when the financial asset is derecognised.

Unquoted equity securities are measured at cost less impairment losses, as their fair value cannot be reliably measured.

2.16 Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual obligations of the financial instrument.

Financial liabilities are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains and losses are recognised in the Revenue Statements or Profit and Loss Statement.

2.17 Fair Value of Financial Assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted bid prices on the balance sheet date. If quoted prices are not available over the counter, broker or dealer price quotations are used.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and / or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Fair Value of Financial Assets (continued)

Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual, and market prices, correlation, time value of money, credit risk, yield curve volatility factors and / or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with financial institutions is their carrying value. The carrying cost is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

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

2.18 Financial Instruments: Derecognition of Financial Assets and Liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual right to receive cash flows from the asset has expired; or
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the Profit and Loss Statement. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Revenue Statements or Profit and Loss Statement.

2.19 Goodwill

Goodwill is measured at cost on initial recognition. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Goodwill (continued)

The cash-generating unit to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Revenue Statement or Profit and Loss Statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiaries before 1 January 2005 are deemed to be assets and liabilities of the parent company and are recorded in SGD at the rates prevailing at the date of acquisition.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

2.20 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost is recognised as an asset only if it can be reliably measured and it is probable that future economic benefits associated with the item will flow to the Group.

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

Freehold land has an unlimited useful life and is not depreciated. No depreciation is provided for 999-year leasehold land. No depreciation is provided on capital works in progress as the assets are not available for use.

Depreciation of an asset begins when it is available for use and is calculated on a straight-line basis over the estimated useful life of an asset as follows. The annual depreciation rates are:

Leasehold Land	Term of lease, up to 99 years
Buildings	50 years
Office furniture, fittings and equipment	5 to 10 years
Renovation	3 to 5 years
Computer Equipment and software development	3 to 10 years
Motor vehicles	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the Profit and Loss Statement or Revenue Statements in the year the asset is derecognised.

Costs incurred for the development of software for the life assurance administration system and the distribution channel management system are classified as part of property, plant and equipment and depreciated over a period of 10 years on a straight line basis from the date of system commissioning.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Investment Property

Investment properties are held for rental income and / or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values are recognised in the Profit and Loss Statement or Revenue Statements.

Investment properties are derecognised when they are disposed of. Gains or losses on disposal are recognised in the Profit and Loss Statement or Revenue Statements.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.20 up to the date of change in use.

2.22 Agents' Retirement Benefits

Provision for agents' retirement benefits is a defined benefit plan set aside for agents from the Malaysian operations and is calculated in accordance with the terms and conditions in the respective Life Assurance Sales Representative's Agreement. The terms and conditions of the Agreement stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the agent shall be allocated a deferred benefit / retirement benefit. The deferred benefit / retirement benefit accumulated at Balance Sheet date include accrued interest. The accrued deferred benefit shall only become payable provided the Agreement has been in force for certain continuous contract years and the agent has attained the minimum retirement age stipulated in the Agreement.

2.23 Related Party Transactions

In the Company's financial statements, loans to subsidiaries are interest-free and stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest expense in the Profit and Loss Statement over the expected repayment period.

2.24 Critical Accounting Estimates and Judgements

The Group makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on internal studies of actual or historical experience and other factors, including expectations of future events and reinsurance premiums levels that are believed to be reasonable with knowledge and information then available. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid.

2.24.1 Critical Accounting Estimates and Assumptions

(a) Liabilities of insurance business

The estimation of the ultimate liability arising from claims made under life and general insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry, reinsurance and national mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders and ensure adequate provision of reserve which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance fund contract liabilities. In addition to the expected outcome, solvency margins prescribed by regulations are included in these insurance fund contract liabilities and the changes during the year are reported in the Revenue Statements.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Critical Accounting Estimates and Judgements (continued)

2.24.1 Critical Accounting Estimates and Assumptions (continued)

(b) Share option costs

The Group calculates the fair value of share options using the binomial model which requires input of certain variables which are determined based on assumptions made.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

2.24.2 Critical Judgements in Applying Accounting Policies

(a) Estimated impairment of goodwill

The Group conducts impairment tests on the carrying value of goodwill in accordance with the accounting policy stated in Note 2.19. The recoverable amounts of cash-generating units are determined based on the value-in-use method, which adopts a discounted cash flow approach on projections, budgets and forecasts over a 5-year period. Cash flows beyond the fifth year are extrapolated using estimated terminal growth rates not exceeding the long-term average growth of the industry and country in which the cash-generating unit operates. The discount rates applied to the cash flow projections are derived from the Group's weighted average cost of capital at the date of assessment. Changes to the assumptions, particularly the discount rate and terminal growth rate, may significantly affect the results of the impairment test.

(b) Impairment of loans

The Group determines impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collaterals for impaired loans against the carrying value of the loan. The future recoverable cash flows are determined based on credit assessment on a loan-by-loan basis for impaired loans.

(c) Impairment of available-for-sale assets

The Group adopts FRS 39 in the value assessment of an investment which is other-than-temporarily impaired. This assessment requires significant judgement to be exercised. The Group evaluates the duration and extent to which the fair value of an investment is less than cost; and the financial health and near-term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(d) Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Group is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

NOTES TO THE FINANCIAL STATEMENTS

3 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	Country of Incorporation	Principal Activities	Effective interest held by GEH	
			2008 %	2007 %
(i) SUBSIDIARIES				
<u>Held by the Company</u>				
	Singapore	Life assurance	100.0	100.0
	Singapore	Composite insurance	100.0	100.0
(3.1) Straits Lion Asset Management Limited	Singapore	Asset management	–	70.0
(3.1) Lion Global Investors Limited (previously known as Lion Capital Management Limited)	Singapore	Asset management	70.0	–
Great Eastern International Private Limited	Singapore	Investment holding	100.0	100.0
The Great Eastern Trust Private Limited	Singapore	Investment holding	100.0	100.0
Island Securities Private Limited	Singapore	Dormant	100.0	100.0
<u>Held through subsidiaries</u>				
(3.2) Alpha Financial Advisers Private Limited	Singapore	Financial advisory	100.0	100.0
(3.1) Lion Fairfield Capital Management Limited	Singapore	Asset management	45.5	45.5
(3.1) Lion Global Investors Limited (previously known as Lion Capital Management Limited)	Singapore	Asset management	–	70.0
(3.3) Great Eastern Capital (Malaysia) Sendirian Berhad	Malaysia	Investment holding	100.0	100.0
(3.3) Great Eastern Life Assurance (Malaysia) Berhad	Malaysia	Life assurance	100.0	100.0
(3.3) Straits Lion Management (Malaysia) Sendirian Berhad	Malaysia	Dormant	85.3	85.3
(3.3) The Great Eastern General Insurance Company Sendirian Berhad	Malaysia	Dormant	100.0	100.0
(3.3) Overseas Assurance Corporation (Holdings) Berhad	Malaysia	Investment holding	100.0	100.0
(3.3) Overseas Assurance Corporation (Malaysia) Berhad	Malaysia	General insurance	100.0	100.0
(3.3) P.T. Great Eastern Life Indonesia	Indonesia	Life assurance	97.3	97.3
(3.3) Straits Eastern Square Private Limited	Singapore	Property development and investment	100.0	100.0
(3.3) Great Eastern Life (Vietnam) Company Limited	Vietnam	Life assurance	100.0	100.0
<u>Special Purpose Vehicle:</u>				
One George CDO Pte Ltd	Singapore	Investment holding	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS

3 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

	Country of Incorporation	Principal Activities	Effective interest held by GEH		
			2008 %	2007 %	
(ii) ASSOCIATES					
<u>Held through subsidiaries</u>					
(3.4)	Fairfield Lion Investment Fund (Asia) Ltd	Cayman Islands	Collective investment scheme	49.5	43.2
(3.5)	Fairfield Investment Fund Ltd	British Virgin Island	Collective Investment scheme	45.8	34.9
(3.4)	Fairfield Lion Japan Equity Fund Ltd	Cayman Islands	Collective Investment scheme	45.6	–
(3.5)	Lion Fairfield Eastern Star Fund	Cayman Islands	Collective Investment scheme	47.1	–
(3.5)	Ascendas China Commercial Fund	Singapore	Real Estate Investment Trust	28.5	28.5
(iii) JOINT VENTURES					
<u>Held through subsidiaries</u>					
(3.3)	Great Eastern Life Assurance (China) Company Limited	People's Republic of China	Life assurance	50.0	50.0
(3.4)	Lion Global Infrastructure Fund Limited	Guernsey	Investment Holding	50.0	50.0

(3.1) Straits Lion Asset Management Limited was liquidated during the year and transferred its shareholdings in Lion Global Investors Limited to its shareholders, Great Eastern Holdings Limited and Orient Holdings Private Limited.

(3.2) Lion Fairfield Capital Management Limited is considered a subsidiary of the Group by virtue of management control established over the financial and operating policies of the company.

(3.3) Audited by associated firms of Ernst & Young, Singapore.

(3.4) Audited by KPMG.

(3.5) Audited by PricewaterhouseCoopers.

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2008	2007	2008	2007	2008	2007	2008	2007
4 INVESTMENT INCOME, NET									
4.1 Profit and Loss Statements									
Dividend income		23.6	21.8	23.6	21.8	-	-	-	-
Interest income									
- Investments									
Available-for-sale financial assets		72.5	49.8	72.5	49.8	-	-	-	0.1
Financial assets at fair value through profit and loss statements		1.9	1.9	1.9	1.9	-	-	-	-
- Loans and receivables		12.3	19.8	12.3	19.8	-	-	0.2	0.9
		86.7	71.5	86.7	71.5	-	-	0.2	1.0
		110.3	93.3	110.3	93.3	-	-	0.2	1.0
<i>less: Investment related expenses</i>		(0.7)	(0.5)	(0.7)	(0.5)	-	-	-	-
		109.6	92.8	109.6	92.8	-	-	0.2	1.0
4.2 Life Assurance Revenue Statement									
Dividend income		341.4	369.6	-	-	341.4	369.6	-	-
Interest income									
- Investments									
Available-for-sale financial assets		908.0	853.8	-	-	908.0	853.8	-	-
Financial assets at fair value through profit and loss statements		95.7	58.1	-	-	95.7	58.1	-	-
- Loans and receivables		255.5	266.0	-	-	255.5	266.0	-	-
		1,259.2	1,177.9	-	-	1,259.2	1,177.9	-	-
		1,600.6	1,547.5	-	-	1,600.6	1,547.5	-	-
<i>less: Investment related expenses</i>		(74.4)	(80.7)	-	-	(74.4)	(80.7)	-	-
		1,526.2	1,466.8	-	-	1,526.2	1,466.8	-	-
4.3 General Insurance Revenue Statement									
Dividend income		1.4	1.6	1.4	1.6	-	-	-	-
Interest income									
- Investments									
Available-for-sale financial assets		5.0	4.8	5.0	4.8	-	-	-	-
Financial assets at fair value through profit and loss statements		0.1	0.1	0.1	0.1	-	-	-	-
- Loans and receivables		1.2	2.0	1.2	2.0	-	-	-	-
		6.3	6.9	6.3	6.9	-	-	-	-
		7.7	8.5	7.7	8.5	-	-	-	-
<i>less: Investment related expenses</i>		(0.2)	(0.2)	(0.2)	(0.2)	-	-	-	-
		7.5	8.3	7.5	8.3	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007	2008	2007
5 GAIN/(LOSS) ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE									
5.1 Profit and Loss Statements									
Realised gains from sale of investments		2.7	4.0	2.7	4.0	-	-	32.6	1.8
Amount transferred from Fair Value Reserve on sale of investments		29.0	28.5	29.0	28.5	-	-	-	-
Changes in fair value on held-for-trading investments		(28.9)	3.7	(28.9)	3.7	-	-	-	-
		2.8	36.2	2.8	36.2	-	-	32.6	1.8
5.2 Life Assurance Revenue Statement									
Realised (loss) / gains from sale of investments		(333.1)	337.9	-	-	(333.1)	337.9	-	-
Amount transferred from Fair Value Reserve on sale of investments	17	405.4	1,005.4	-	-	405.4	1,005.4	-	-
Changes in fair value on investments									
- fair value through revenue statement		(977.2)	(48.0)	-	-	(977.2)	(48.0)	-	-
- held-for-trading		(459.1)	21.3	-	-	(459.1)	21.3	-	-
		(1,436.3)	(26.7)	-	-	(1,436.3)	(26.7)	-	-
Changes in fair value on investment properties		(127.1)	334.5	-	-	(127.1)	334.5	-	-
		(1,491.1)	1,651.1	-	-	(1,491.1)	1,651.1	-	-
5.3 General Insurance Revenue Statement									
Realised gains from sale of investments		1.5	-	1.5	-	-	-	-	-
Amount transferred from Fair Value Reserve on sale of investments	16	(0.2)	24.3	(0.2)	24.3	-	-	-	-
Changes in fair value on held-for-trading investments		-	0.1	-	0.1	-	-	-	-
		1.3	24.4	1.3	24.4	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007		
6 PROVISIONS									
6.1 Provision for impairment of secured loans									
		-	8.2	-	-	-	8.2	-	-
		2.1	0.6	2.1	-	-	0.6	-	-
		-	(8.8)	-	-	-	(8.8)	-	-
	20	2.1	-	2.1	-	-	-	-	-
6.2 Provision for impairment of quoted equity securities									
		-	-	-	-	-	-	-	-
		332.8	-	34.6	-	298.2	-	-	-
	21	332.8	-	34.6	-	298.2	-	-	-
6.3 Provision for impairment of unquoted equity securities									
		-	1.8	-	0.1	-	1.7	-	-
		-	(1.8)	-	(0.1)	-	(1.7)	-	-
	21	-	-	-	-	-	-	-	-
6.4 Provision for impairment of quoted debt securities									
		-	-	-	-	-	-	-	-
		56.5	-	4.5	-	52.0	-	-	-
	21	56.5	-	4.5	-	52.0	-	-	-
6.5 Provision for impairment of unquoted debt securities									
		4.7	-	4.7	-	-	-	-	-
		16.0	4.7	3.0	4.7	13.0	-	-	-
	21	20.7	4.7	7.7	4.7	13.0	-	-	-
6.6 Provision for impairment of collective investments									
		-	-	-	-	-	-	-	-
		33.2	-	5.2	-	28.0	-	-	-
	21	33.2	-	5.2	-	28.0	-	-	-
6.7 Provision for impairment of associated company									
		-	-	-	-	-	-	-	-
		37.0	-	5.2	-	31.8	-	-	-
	22	37.0	-	5.2	-	31.8	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)		Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
	Note	2008	2007	2008	2007	2008	2007	2008	2007
6 PROVISIONS (continued)									
6.8 Provision for impairment of unsecured loan to subsidiary companies									
		-	-	-	-	-	-	3.6	3.6
		-	-	-	-	-	-	1.8	-
	24	-	-	-	-	-	-	5.4	3.6
6.9 Provision for impairment of property, plant and equipment									
		84.5	85.2	-	-	84.5	85.2	-	-
	27	9.0	(0.7)	0.3	-	8.7	(0.7)	-	-
		93.5	84.5	0.3	-	93.2	84.5	-	-
		486.6	2.8	54.9	4.6	431.7	(1.8)	1.8	-
7 AGENTS' RETIREMENT BENEFITS									
		183.6	168.4	-	-	183.6	168.4	-	-
		(9.0)	(0.3)	-	-	(9.0)	(0.3)	-	-
		25.0	22.7	-	-	25.0	22.7	-	-
		(16.4)	(7.2)	-	-	(16.4)	(7.2)	-	-
		183.2	183.6	-	-	183.2	183.6	-	-

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2008	2007	2008	2007	2008	2007	2008	2007
8 ADDITIONAL DISCLOSURES									
Auditors' remuneration									
Other fees paid to Ernst & Young, Singapore		0.3	0.3	0.1	0.1	0.2	0.2	-	-
Staff costs and related expenses (Including executive directors and key management personnel compensation)		188.6	161.9	61.5	56.9	127.1	105.0	3.4	0.1
Salaries, wages, bonuses and other costs		168.1	145.7	57.8	54.3	110.3	91.4	3.3	0.1
Central Provident Fund / Employee Provident Fund		15.6	14.1	3.2	2.3	12.4	11.8	0.1	-
Share-based payments		4.9	2.1	0.5	0.3	4.4	1.8	-	-
Rental expense		20.0	15.7	4.6	2.7	15.4	13.0	-	-
Gain / (loss) on disposal of property, plant and equipment and investment properties		8.7	(0.5)	(0.4)	(0.1)	9.1	(0.4)	-	-
Property, plant and equipment		(0.4)	(0.1)	(0.4)	(0.1)	-	-	-	-
Investment properties		9.1	(0.4)	-	-	9.1	(0.4)	-	-
Depreciation		54.1	44.8	1.5	1.7	52.6	43.1	-	-
Interest expense on policy benefits		70.6	59.8	-	-	70.6	59.8	-	-
Provision for expense to support insurance operations		30.0	-	30.0	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007	2008	2007
9 INCOME TAX									
Major components of income tax expense									
The major components of income tax expense for the years ended 31 December 2008 and 2007 are:									
Current		200.3	269.8	60.7	118.8	139.6	151.0	–	(0.1)
Deferred		(362.5)	154.2	(6.6)	(2.5)	(355.9)	156.7	–	–
Effects of reduction in tax rate		–	(12.5)	–	(1.6)	–	(10.9)	–	–
(Over) / under provision in respect of previous years		(71.5)	5.4	(32.7)	2.0	(38.8)	3.4	(0.5)	–
Total tax charge for the year		(233.7)	416.9	21.4	116.7	(255.1)	300.2	(0.5)	(0.1)
Deferred tax for the year, on fair value changes on available-for-sale investments, charged directly to:									
– equity		66.8	(13.2)	66.8	(13.2)	–	–	–	–
– insurance funds		123.1	(30.8)	4.0	2.0	119.1	(32.8)	–	–
Relationship between income tax expense and accounting profit									
The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2008 and 2007 is as follows:									
Profit before income tax				311.2	672.1	–	–	255.9	34.6
Excess of income over expenses before income tax				–	–	2,536.7	1,319.1	–	–
Tax at the domestic rates applicable to profits in the countries where the Group operates				70.7	162.6	269.5	181.8	46.1	6.2
Adjustments:									
Tax effect of net surplus transferred to Shareholders' Fund				(22.6)	(35.0)	–	–	–	–
Tax effect of provision against future policyholders' bonus				–	–	(337.7)	133.9	–	–
Foreign tax paid not recoverable				0.9	13.3	11.5	10.5	–	–
Local tax deducted at source not recoverable				–	–	–	4.4	–	–
Permanent differences				7.8	0.8	20.6	126.1	1.5	0.5
Tax exempt income				(2.4)	(26.1)	(173.9)	(151.9)	(47.6)	(6.7)
Deferred tax assets not recognised				0.2	0.1	–	–	–	–
Tax rate change				–	(1.6)	–	(10.9)	–	–
(Over) / under provision in respect of previous years				(32.7)	2.0	(38.8)	3.4	(0.5)	–
Others				(0.5)	0.6	(6.3)	2.9	–	(0.1)
Income tax expense / (benefit) recognised in the Profit and Loss Statement or Revenue Statements				21.4	116.7	(255.1)	300.2	(0.5)	(0.1)

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007. The corporate income tax rate applicable to Malaysian companies of the Group was reduced from 28% to 27% and 26% for the year of assessment 2007 and the year of assessment 2008 onwards respectively.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007	2008	2007
9 INCOME TAX (continued)									
Deferred Tax									
Balance at the beginning of the year		1,019.1	834.2	54.5	52.4	964.6	781.8	-	-
Effect of adopting FRS 40: revaluation of investment properties	17	-	6.2	-	-	-	6.2	-	-
Balance at the beginning of the year, as restated		1,019.1	840.4	54.5	52.4	964.6	788.0	-	-
Translation reserve adjustments		(2.0)	-	0.9	0.1	(2.9)	(0.1)	-	-
Deferred tax charge taken to Profit and Loss or Revenue Statements:									
Other temporary differences		(22.7)	4.3	(5.2)	(4.3)	(17.5)	8.6	-	-
Fair value changes		(2.1)	14.6	(1.4)	0.2	(0.7)	14.4	-	-
Provision against future policyholders' bonus		(337.7)	122.8	-	-	(337.7)	122.8	-	-
Deferred tax on fair value changes on available-for-sale investments		(189.9)	44.0	(70.8)	11.2	(119.1)	32.8	-	-
Effect of change in tax rate	16, 17	(0.1)	(7.0)	(0.1)	(5.1)	-	(1.9)	-	-
Balance at the end of the year		464.6	1,019.1	(22.1)	54.5	486.7	964.6	-	-

Deferred taxes at 31 December related to the following:

	Balance Sheets							
	2008	2007	2008	2007	2008	2007	2008	2007
<u>Deferred tax liabilities:</u>								
Differences in depreciation	12.0	12.9	0.3	0.2	11.7	12.7	-	-
Accrued investment income	0.4	1.8	-	0.1	0.4	1.7	-	-
Net unrealised gains on investments	66.6	253.4	-	46.7	66.6	206.7	-	-
Net accretion on fixed income investments	10.8	16.3	-	7.8	10.8	8.5	-	-
Provision against future policyholders' bonus	397.3	735.0	-	-	397.3	735.0	-	-
Deferred tax liabilities	487.1	1,019.4	0.3	54.8	486.8	964.6	-	-
<u>Deferred tax assets:</u>								
Net unrealised loss on investments	12.1	-	12.1	-	-	-	-	-
Unutilised tax losses carried forward	2.5	-	2.4	-	0.1	-	-	-
Net amortisation on fixed income investments	7.9	-	7.9	-	-	-	-	-
Other accruals and provisions	-	0.3	-	0.3	-	-	-	-
Deferred tax assets	22.5	0.3	22.4	0.3	0.1	-	-	-
Net deferred tax liabilities / (assets)	464.6	1,019.1	(22.1)	54.5	486.7	964.6	-	-

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2008	2007	2008	2007	2008	2007	2008	2007
9 INCOME TAX (continued)									
Deferred Tax (continued)									
		Profit and Loss Statements and Revenue Statements							
<u>Deferred tax liabilities:</u>									
Differences in depreciation		0.1	4.2	0.1	0.8	-	3.4	-	-
Net unrealised gains on investments		11.2	43.3	11.2	-	-	43.3	-	-
Net accretion on fixed income investments		2.3	8.3	-	7.9	2.3	0.4	-	-
Provision against future policyholders' bonus		-	122.8	-	-	-	122.8	-	-
Other accruals and provisions		0.3	0.8	0.3	0.8	-	-	-	-
<u>Deferred tax assets:</u>									
Differences in depreciation		(1.0)	-	-	-	(1.0)	-	-	-
Accrued investment income		(1.4)	(15.9)	(0.1)	(2.2)	(1.3)	(13.7)	-	-
Unrealised exchange loss		-	(8.3)	-	(5.8)	-	(2.5)	-	-
Net unrealised loss on investments		(18.1)	(5.6)	-	(5.6)	(18.1)	-	-	-
Unutilised tax losses carried forward		(2.5)	-	(2.4)	-	(0.1)	-	-	-
Net amortisation on fixed income investments		(15.7)	-	(15.7)	-	-	-	-	-
Provision against future policyholders' bonus		(337.7)	-	-	-	(337.7)	-	-	-
Other accruals and provisions		-	(7.9)	-	-	-	(7.9)	-	-
Deferred tax (benefit) / expense		(362.5)	141.7	(6.6)	(4.1)	(355.9)	145.8	-	-

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately \$4.9m (2007:\$3.9m) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

NOTES TO THE FINANCIAL STATEMENTS

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted and basic earnings per share are similar as there are no dilutive potential ordinary shares.

The following reflects the profit for the year attributable to ordinary shareholders and the weighted average number of shares outstanding during the year, used in the computation of basic and diluted earnings per share for the years ended 31 December:

		Group	
		2008	2007
Profit attributable to ordinary shareholders for computation of basic and diluted earnings per share	(in millions of Singapore Dollars)	272.4	546.9
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share	(in millions)	473.3	473.3
Basic and diluted earnings per share	(in Singapore Dollars)	\$0.58	\$1.16

There have been no transactions involving ordinary shares since the reporting date and before the completion of these financial statements.

11 SHARE CAPITAL

in Singapore Dollars (millions)	Group and Company			
	Number of shares	2008	Number of shares	2007
Ordinary shares: Issued and fully paid				
Balance at the beginning and end of the year	473,319,069	247.4	473,319,069	247.4

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

In accordance with the Companies Act Cap. 50, the shares of the Company have no par value.

NOTES TO THE FINANCIAL STATEMENTS

12 RESERVES

Merger reserve represents the difference between the fair value and nominal value of shares issued for the acquisition of a subsidiary. The merger reserve had been utilised in part in prior years to write-off the goodwill on acquisition of the subsidiary.

Currency translation reserve relates to translation differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007	2008	2007

13 OTHER CREDITORS AND INTERFUND BALANCES

Other creditors and interfund balances comprise the following:

Financial Liabilities:

Accrued expenses and other creditors	354.6	325.3	157.7	175.1	196.9	150.2	4.9	4.5
Investment creditors	695.4	208.4	1.5	4.0	693.9	204.4	–	–
Amount due to holding company ⁽¹⁾	3.2	2.4	3.2	2.4	–	–	–	–
Interfund balances	920.6	845.9	250.2	320.0	670.4	525.9	–	–
	1,973.8	1,382.0	412.6	501.5	1,561.2	880.5	4.9	4.5

Non Financial Liabilities:

Premiums in suspense	63.1	61.9	0.7	0.1	62.4	61.8	–	–
	2,036.9	1,443.9	413.3	501.6	1,623.6	942.3	4.9	4.5

⁽¹⁾ Amount due to holding company is unsecured, interest-free and repayable upon demand.

14 REINSURANCE LIABILITIES

Amounts due to reinsurers	75.6	67.8	19.7	16.1	55.9	51.7	–	–
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15 UNEXPIRED RISK RESERVE

Balance at the beginning of the year	37.3	34.0	37.3	34.0	–	–	–	–
Translation reserve adjustment	(1.1)	(0.2)	(1.1)	(0.2)	–	–	–	–
Increase in unexpired risk reserve during the year, gross	9.0	4.3	9.0	4.3	–	–	–	–
Movement in reinsurer's share of unexpired risk reserve during the year	(2.1)	(0.8)	(2.1)	(0.8)	–	–	–	–
Balance at the end of the year	43.1	37.3	43.1	37.3	–	–	–	–
Unexpired risk reserve, gross	67.1	59.7	67.1	59.7	–	–	–	–
Reinsurers' share of unexpired risk reserve	19 (24.0)	(22.4)	(24.0)	(22.4)	–	–	–	–
Unexpired risk reserve, net	43.1	37.3	43.1	37.3	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2008	2007	2008	2007	2008	2007
16 GENERAL INSURANCE FUND							
Balance at the beginning of the year		70.9	69.1	70.9	69.1	-	-
Translation reserve adjustment		(2.4)	(0.3)	(2.4)	(0.3)	-	-
Fair value reserve movement		(10.8)	(7.9)	(10.8)	(7.9)	-	-
Increase in loss reserve during the year, gross		1.0	18.0	1.0	18.0	-	-
Movement in reinsurer's share of loss reserve during the year		(0.7)	(8.0)	(0.7)	(8.0)	-	-
Balance at the end of the year		58.0	70.9	58.0	70.9	-	-
General Insurance Fund comprises:							
General Insurance Fund Contract Liabilities, net		61.2	63.0	61.2	63.0	-	-
Reinsurers' share of loss reserve	19	38.0	38.2	38.0	38.2	-	-
General Insurance Fund Contract Liabilities, gross		99.2	101.2	99.2	101.2	-	-
Fair Value Reserve		(3.2)	7.9	(3.2)	7.9	-	-
		96.0	109.1	96.0	109.1	-	-

Insurance (Valuation and Capital) Regulations 2004 governing Risk-based Capital Framework for insurers in Singapore came into effect on 1 January 2005. The Group's insurance subsidiaries in Singapore are in compliance with the regulatory provisions, which requires each insurance fund to maintain a minimum 120% of regulatory risk capital within each regulated entity.

Represented by:

General Insurance Fund Contract Liabilities

Balance at the beginning of the year		63.0	53.4	63.0	53.4	-	-
Translation reserve adjustment		(2.1)	(0.4)	(2.1)	(0.4)	-	-
Increase in loss reserve during the year, gross		1.0	18.0	1.0	18.0	-	-
Movement in reinsurer's share of loss reserve during the year		(0.7)	(8.0)	(0.7)	(8.0)	-	-
Balance at the end of the year		61.2	63.0	61.2	63.0	-	-

Fair Value Reserve ⁽¹⁾

Balance at the beginning of the year		7.9	15.7	7.9	15.7	-	-
Translation reserve adjustment		(0.3)	0.1	(0.3)	0.1	-	-
Fair value changes on remeasuring available-for-sale investments		(15.0)	14.4	(15.0)	14.4	-	-
Transfer of fair value reserve to General Insurance							
Revenue Statement on sale of investments	5	0.2	(24.3)	0.2	(24.3)	-	-
Deferred tax on fair value changes		4.0	2.0	4.0	2.0	-	-
Balance at the end of the year		(3.2)	7.9	(3.2)	7.9	-	-

⁽¹⁾ The above fair value reserve is deemed equity of general insurance fund.

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Group						
	Note	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2008	2007	2008	2007	2008	2007
17 LIFE ASSURANCE FUND							
Balance at the beginning of the year as previously reported	38,243.7	35,010.2	-	-	38,243.7	35,010.2	
Effects of adopting FRS 40	-	147.7	-	-	-	147.7	
Balance at the beginning of the year as restated	38,243.7	35,157.9	-	-	38,243.7	35,157.9	
Translation reserve adjustment	(673.2)	(47.3)	-	-	(673.2)	(47.3)	
Fair value reserve movement	(2,907.4)	640.3	-	-	(2,907.4)	640.3	
Change in life assurance fund contract liabilities	(1,636.4)	2,105.9	-	-	(1,636.4)	2,105.9	
Write back of / (Provision for) deferred tax on future policyholders' bonus	337.7	(122.8)	-	-	337.7	(122.8)	
Transferred from Life Assurance Revenue Statement	2,791.8	1,018.9	-	-	2,791.8	1,018.9	
Transferred to Profit and Loss Statement	(300.4)	(509.2)	-	-	(300.4)	(509.2)	
Balance at the end of the year	35,855.8	38,243.7	-	-	35,855.8	38,243.7	
Insurance (Valuation and Capital) Regulations 2004 governing Risk-based Capital Framework for insurers in Singapore came into effect on 1 January 2005. The Group's insurance subsidiaries in Singapore are in compliance with the regulatory provisions, which requires each insurance fund to maintain a minimum 120% of regulatory risk capital within each regulated entity.							
<i>Represented by:</i>							
<u>Life Assurance Fund Contract Liabilities</u>							
Balance at the beginning of the year	32,841.9	30,877.9	-	-	32,841.9	30,877.9	
Translation reserve adjustment	205.6	(19.1)	-	-	205.6	(19.1)	
Change in life assurance fund contract liabilities	(1,636.4)	2,105.9	-	-	(1,636.4)	2,105.9	
Write back of / (Provision for) deferred tax on future policyholders' bonus	337.7	(122.8)	-	-	337.7	(122.8)	
Balance at the end of the year	31,748.8	32,841.9	-	-	31,748.8	32,841.9	
<u>Unallocated Surplus</u>							
Balance at the beginning of the year as previously reported	1,976.2	1,346.8	-	-	1,976.2	1,346.8	
Effect of adopting FRS 40 - Reclassification from Property Revaluation Reserve	-	4.9	-	-	-	4.9	
Effects of adopting FRS 40	-	147.7	-	-	-	147.7	
Balance at the beginning of the year as restated	1,976.2	1,499.4	-	-	1,976.2	1,499.4	
Translation reserve adjustment	(784.1)	(32.9)	-	-	(784.1)	(32.9)	
Transferred from Life Assurance Revenue Statement	2,791.8	1,018.9	-	-	2,791.8	1,018.9	
Transferred to Profit and Loss Statement	(300.4)	(509.2)	-	-	(300.4)	(509.2)	
Balance at the end of the year	3,683.5	1,976.2	-	-	3,683.5	1,976.2	

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2008	2007	2008	2007	2008	2007
17 LIFE ASSURANCE FUND (continued)							
<u>Fair Value Reserve</u> ⁽¹⁾							
Balance at the beginning of the year		3,425.6	2,780.6	–	–	3,425.6	2,780.6
Translation reserve adjustment		(94.7)	4.7	–	–	(94.7)	4.7
Fair value changes on remeasuring available-for-sale investments		(2,621.1)	1,676.6	–	–	(2,621.1)	1,676.6
Transfer of fair value reserve to Life Assurance Revenue Statement on sale of investments	5	(405.4)	(1,005.4)	–	–	(405.4)	(1,005.4)
Deferred tax on fair value changes		119.1	(32.8)	–	–	119.1	(32.8)
Deferred tax – effect of change in tax rate	9	–	1.9	–	–	–	1.9
Balance at the end of the year		423.5	3,425.6	–	–	423.5	3,425.6

⁽¹⁾ The above fair value reserve is deemed equity of Life Assurance Fund.

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007	2008	2007
18 OTHER DEBTORS AND INTERFUND BALANCES									
Other debtors and interfund balances comprise the following:									
Financial Assets:									
Accrued interest receivable		378.7	379.0	71.2	74.9	307.5	304.1	–	–
Investment debtors		409.8	126.4	16.6	13.3	393.2	113.1	–	–
Other receivables		23.4	20.4	11.7	16.3	11.7	4.1	–	–
Deposits collected		6.9	3.8	0.5	0.4	6.4	3.4	–	–
Interfund balances		923.9	832.3	673.7	512.3	250.2	320.0	–	–
	20	1,742.7	1,361.9	773.7	617.2	969.0	744.7	–	–
Non Financial Assets:									
Prepayments and others		18.6	3.9	11.8	1.9	6.8	2.0	–	–
		1,761.3	1,365.8	785.5	619.1	975.8	746.7	–	–

19 REINSURANCE ASSETS

Reinsurers' share of insurance liabilities:

Unexpired risk reserve	15	24.0	22.4	24.0	22.4	–	–	–	–
Loss reserve	16	38.0	38.2	38.0	38.2	–	–	–	–
Amounts due from reinsurers		4.7	18.4	4.6	5.0	0.1	13.4	–	–
Total assets arising from reinsurance contracts	20	66.7	79.0	66.6	65.6	0.1	13.4	–	–

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)		Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
	Note	2008	2007	2008	2007	2008	2007	2008	2007
20 LOANS AND RECEIVABLES									
Cash and cash equivalents		4,030.4	2,768.3	557.9	419.0	3,472.5	2,349.3	17.8	19.1
Other debtors and interfund balances	18	1,742.7	1,361.9	773.7	617.2	969.0	744.7	–	–
Outstanding premiums		177.2	168.7	11.0	10.8	166.2	157.9	–	–
Reinsurance assets	19	66.7	79.0	66.6	65.6	0.1	13.4	–	–
Loans		3,809.5	3,469.2	113.6	143.3	3,695.9	3,325.9	–	–
Amounts due from subsidiaries, associates and joint ventures	24	5.7	66.3	–	–	5.7	66.3	752.9	740.8
Total loans and receivables at amortised cost		9,832.2	7,913.4	1,522.8	1,255.9	8,309.4	6,657.5	770.7	759.9
Loans comprise the following:									
Policy loans		2,178.5	2,100.9	–	–	2,178.5	2,100.9	–	–
Secured loans		1,616.8	1,296.9	114.9	117.5	1,501.9	1,179.4	–	–
Unsecured loans		16.3	71.4	0.8	25.8	15.5	45.6	–	–
		3,811.6	3,469.2	115.7	143.3	3,695.9	3,325.9	–	–
less: Provision for impairment of secured loans	6	2.1	–	2.1	–	–	–	–	–
		3,809.5	3,469.2	113.6	143.3	3,695.9	3,325.9	–	–

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2008	2007	2008	2007	2008	2007		
21 INVESTMENTS									
21.1 Available-for-sale financial assets									
Equity securities									
(i) Quoted equity securities		5,290.8	8,379.1	437.7	808.7	4,853.1	7,570.4	-	-
(ii) Unquoted equity securities		113.5	117.7	0.4	0.4	113.1	117.3	-	-
		5,404.3	8,496.8	438.1	809.1	4,966.2	7,687.7	-	-
<i>less:</i> Provision for impairment of quoted equity securities	6	332.8	-	34.6	-	298.2	-	-	-
		5,071.5	8,496.8	403.5	809.1	4,668.0	7,687.7	-	-
Debt securities									
(iii) Quoted debt securities		13,672.2	14,158.1	880.9	1,049.6	12,791.3	13,108.5	-	-
(iv) Unquoted debt securities		7,988.0	7,384.7	651.6	831.7	7,336.4	6,553.0	-	-
		21,660.2	21,542.8	1,532.5	1,881.3	20,127.7	19,661.5	-	-
<i>less:</i> Provision for impairment of quoted debt securities	6	56.5	-	4.5	-	52.0	-	-	-
Provision for impairment of unquoted debt securities	6	20.7	4.7	7.7	4.7	13.0	-	-	-
		21,583.0	21,538.1	1,520.3	1,876.6	20,062.7	19,661.5	-	-
Other investments									
(v) Collective investment schemes ⁽¹⁾		1,798.6	1,402.8	137.4	145.4	1,661.2	1,257.4	-	-
<i>less:</i> Provision for impairment of collective investment schemes	6	33.2	-	5.2	-	28.0	-	-	-
		1,765.4	1,402.8	132.2	145.4	1,633.2	1,257.4	-	-
Total Available-for-sale financial assets		28,419.9	31,437.7	2,056.0	2,831.1	26,363.9	28,606.6	-	-

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007	2008	2007
21 INVESTMENTS (continued)									
21.2 Securities at fair value through profit or loss									
Equity securities									
(i) Quoted equity securities		1,085.2	1,712.5	0.6	–	1,084.6	1,712.5	–	–
(ii) Unquoted equity securities		–	–	–	–	–	–	–	–
		1,085.2	1,712.5	0.6	–	1,084.6	1,712.5	–	–
Debt securities									
(iii) Quoted debt securities		554.5	427.5	–	–	554.5	427.5	–	–
(iv) Unquoted debt securities		334.6	209.4	–	–	334.6	209.4	–	–
		889.1	636.9	–	–	889.1	636.9	–	–
Other investments									
(v) Collective investment schemes ⁽¹⁾		470.1	807.2	–	–	470.1	807.2	–	–
Total securities at fair value through profit or loss ⁽²⁾		2,444.4	3,156.6	0.6	–	2,443.8	3,156.6	–	–
21.3 Derivative financial instruments									
Held-for-Trading									
(i) Derivatives		274.6	128.2	1.6	0.7	273.0	127.5	–	–
(ii) Embedded derivatives		656.1	1,271.2	24.4	23.6	631.7	1,247.6	–	–
Total derivative financial instruments		930.7	1,399.4	26.0	24.3	904.7	1,375.1	–	–
TOTAL INVESTMENTS		31,795.0	35,993.7	2,082.6	2,855.4	29,712.4	33,138.3	–	–

⁽¹⁾ Collective investment schemes include but not limited to unit trusts, private equities, hedge funds and real estate investment funds.

⁽²⁾ These securities are designated as fair value through Profit and Loss Statements or Revenue Statements on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2008	2007	2008	2007	2008	2007
22 ASSOCIATES AND JOINT VENTURES							
22.1 Associates							
Investment in shares, at cost		477.1	535.2	46.8	50.6	430.3	484.6
Share of post-acquisition results		(5.4)	87.9	(4.9)	8.1	(0.5)	79.8
Translation adjustment		(5.3)	(68.4)	0.1	(8.0)	(5.4)	(60.4)
		(10.7)	19.5	(4.8)	0.1	(5.9)	19.4
Carrying amount at 31 December		466.4	554.7	42.0	50.7	424.4	504.0
less: Provision for impairment	6	37.0	–	5.2	–	31.8	–
		429.4	554.7	36.8	50.7	392.6	504.0
Fair value of investment in an associate for which there is published price quotation		400.1	547.7	37.6	50.4	362.5	497.3

For the current financial year, the Group recognised its share of the associate's operating results based on unaudited records available up to 30 November 2008.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

in Singapore Dollars (millions)	Total Assets	Total Liabilities	Revenue	Profit / (loss)
Total as at 31 December 2008	1,223.4	(139.3)	(156.1)	(172.4)
Total as at 31 December 2007	1,760.7	(158.2)	135.4	118.1

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2008	2007	2008	2007	2008	2007
22.2 Joint Ventures							
Investment in shares, at cost		31.0	31.0	31.0	31.0	–	–
Share of post-acquisition results		(3.7)	(3.8)	(8.8)	(4.4)	5.1	0.6
Translation adjustment		(1.6)	–	(1.6)	–	–	–
		(5.3)	(3.8)	(10.4)	(4.4)	5.1	0.6
Carrying amount at 31 December		25.7	27.2	20.6	26.6	5.1	0.6

in Singapore Dollars (millions)	Total Assets	Total Liabilities	Revenue	Profit / (loss)
Total as at 31 December 2008	99.5	(42.1)	37.5	0.8
Total as at 31 December 2007	168.7	(108.1)	24.1	6.3

As at balance sheet date, there are no outstanding capital commitments or guarantees relating to the above associates and joint ventures.

There are no restrictions placed on the ability of the associates or joint ventures to transfer funds to the parent company in the form of cash dividends or for the repayment of loans when due.

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007		
23 SUBSIDIARIES									
Investment in shares, at cost		-	-	-	-	-	-	917.3	901.6
Distribution from pre-acquisition reserve		-	-	-	-	-	-	(281.8)	(266.0)
		-	-	-	-	-	-	635.5	635.6
<p>During the year, the Group's subsidiary, The Overseas Assurance Corporation Limited ("OAC"), declared a tax exempt (one-tier) dividend of \$80.0 million (2007: \$110.0 million), of which \$15.8 million (2007: \$110.0 million) was distributed from its pre-acquisition reserve.</p>									
24 AMOUNTS DUE FROM/(TO) SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES									
Amounts due from subsidiaries		-	-	-	-	-	-	751.7	740.3
Loans to subsidiaries		-	-	-	-	-	-	6.6	4.1
Loan to joint venture	20	5.7	66.3	-	-	5.7	66.3	-	-
Provision for impairment of unsecured loan to subsidiary	6	-	-	-	-	-	-	(5.4)	(3.6)
		5.7	66.3	-	-	5.7	66.3	752.9	740.8
Amount due to joint venture		(0.5)	-	(0.5)	-	-	-	-	-

The amounts due from subsidiaries and loans to subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
		2008	2007	2008	2007	2008	2007	2008	2007
25 GOODWILL									
Carrying amount on 1 January and 31 December		25.5	25.5	18.7	18.7	6.8	6.8	–	–

The acquisition of an additional stake of 9.6% in Lion Global Investors Limited group in 2005 gave rise to an amount of \$18.7 million of goodwill in Shareholders' Fund, while the acquisition of an additional 51% of the ordinary shares in Straits Eastern Square Pte Ltd ("SESPL") in 2006 gave rise to an amount of \$6.8 million of goodwill in Life Assurance Fund.

25.1 Impairment test for goodwill

In accordance with FRS 103, the carrying values of the Group's goodwill on acquisition of subsidiaries was assessed for impairment. In respect of the acquisition of additional interest of Lion Global Investors Limited group, goodwill is allocated for impairment testing purposes to the individual entity which is also the cash-generating unit. Goodwill arising from the acquisition of Straits Eastern Square Pte Ltd is allocated for impairment testing to the investment property held which is also the cash-generating unit.

Subsidiary – Lion Global Investors Limited

Carrying value of capitalised goodwill as at 31 December 2008	\$18.7 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	2%
Discount rate ⁽³⁾	15%

Subsidiary – Straits Eastern Square Pte Ltd

Carrying value of capitalised goodwill as at 31 December 2008	\$6.8 million
Basis on which recoverable values are determined ⁽¹⁾	Fair value of investment property held, less cost to sell

⁽¹⁾ The value-in-use calculation applies a discounted cash flow model using cash flow projections based on financial budget and forecast approved by management covering a five-year period. Cash flows beyond the fifth year are extrapolated using the estimated growth rate stated above.

⁽²⁾ The terminal growth rate used does not exceed the long term average past growth rate of the industry and country in which Lion Global Investors Limited operates.

⁽³⁾ The discount rate applied to the cash flow projections is pre-tax and is derived from the cost of capital plus a reasonable risk premium. This is the benchmark used by management to assess the operating performance.

No impairment loss was required for the financial year ended 31 December 2008 against the amounts of goodwill recorded above as the recoverable values were in excess of the carrying values.

NOTES TO THE FINANCIAL STATEMENTS

26 INVESTMENT PROPERTIES

in Singapore Dollars (millions)	Note	Group	
		2008	2007
LIFE ASSURANCE FUND			
At 1 January as previously reported		1,178.3	814.4
Reclassification to property, plant and equipment	27	–	(127.0)
		1,178.3	687.4
Effects of adopting FRS 40 – Fair value adjustment		–	153.9
Effects of adopting FRS 40 – Accumulated depreciation		–	(46.8)
At 1 January as restated		1,178.3	794.5
Additions		8.0	23.3
(Loss)/Gain from fair value adjustments		(127.1)	334.5
Disposals/assets written off		(2.3)	–
Reclassification from property, plant and equipment	27	16.8	25.9
Translation reserve adjustment		(0.2)	0.1
At 31 December		1,073.5	1,178.3

Investment properties within the Life Assurance Funds collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life insurance business.

On 1 January 2007, the Group adopted the fair value model for investment properties held under Life Assurance Fund. As a result of adopting FRS 40, investment properties are measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the Life Assurance Revenue Statements in the period in which they arise. Under the transitional provision of FRS 40, the revaluation gain of \$147.7 million (net of deferred tax of \$6.2 million) has been taken to Life Assurance Fund at 1 January 2007.

Fair value of the investment properties as at 31 December 2008 is determined based on objective valuations undertaken by independent valuers. The fair value is supported by market evidence and represents the amount at which assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Valuations are performed on an annual basis. Rental income received on investment properties for the year amounted to \$80.0 million (2007: \$67.2 million). Direct operating expenses (including repairs and maintenance for the year) arising from investment properties amounted to \$23.3 million (2007: \$19.9 million).

An amount of \$16.8 million (2007: \$25.9 million) was reclassified from property, plant and equipment during the year as these assets qualify for recognition as part of investment properties for the year.

NOTES TO THE FINANCIAL STATEMENTS

27 PROPERTY, PLANT AND EQUIPMENT

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works In Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development	Other Assets ⁽²⁾	
27.1 TOTAL								
Cost								
At 1 January 2007								
Cost		62.5	35.8	34.7	486.7	271.4	77.2	968.3
Reclassification from investment properties	26	0.1	2.9	3.5	120.5	–	–	127.0
Cost at 1 January, restated		62.6	38.7	38.2	607.2	271.4	77.2	1,095.3
Additions		–	1.3	–	13.9	47.7	21.3	84.2
Disposals / assets written off		–	–	–	–	(56.7)	(1.4)	(58.1)
Reclassification		–	–	(11.3)	11.3	–	–	–
Reclassification to investment properties	26	–	–	(25.9)	–	–	–	(25.9)
Translation reserve adjustment		–	–	0.6	(0.1)	(0.3)	(0.1)	0.1
Cost at 31 December 2007 and 1 January 2008		62.6	40.0	1.6	632.3	262.1	97.0	1,095.6
Additions		–	–	31.6	(1.1)	54.8	4.3	89.6
Disposals / assets written off		–	–	–	(0.3)	(35.6)	(1.4)	(37.3)
Reclassification		–	–	(0.7)	0.7	–	–	–
⁽³⁾ Reclassification to investment properties	26	–	–	(0.6)	–	–	(16.2)	(16.8)
Translation reserve adjustment		(0.2)	(0.3)	(0.1)	(8.3)	(3.6)	(3.5)	(16.0)
Cost at 31 December 2008		62.4	39.7	31.8	623.3	277.7	80.2	1,115.1
Accumulated Depreciation								
At 1 January 2007								
Depreciation charge for the year		(13.0)	(3.5)	–	(97.6)	(125.5)	(42.5)	(282.1)
Disposals / assets written off		–	–	–	–	47.5	1.2	48.7
Decrease in provision for impairment	6	–	–	–	0.7	–	–	0.7
Reclassification		11.3	–	–	(11.3)	–	–	–
Translation reserve adjustment		–	–	–	(0.5)	0.7	0.4	0.6
At 31 December 2007 and 1 January 2008		(1.7)	(3.5)	–	(121.3)	(100.8)	(49.6)	(276.9)
Depreciation charge for the year		–	(0.1)	–	(11.7)	(35.2)	(7.1)	(54.1)
Disposals / assets written off		–	–	–	0.1	15.5	8.2	23.8
⁽⁴⁾ Increase in provision for impairment	6	–	–	–	(8.7)	–	(0.3)	(9.0)
Reclassification		0.3	1.4	–	(1.7)	–	–	–
Translation reserve adjustment		–	0.1	–	0.9	1.9	2.4	5.3
Accumulated Depreciation, at 31 December 2008		(1.4)	(2.1)	–	(142.4)	(118.6)	(46.4)	(310.9)
Net Book Value								
Net Book Value, at 31 December 2007								
		60.9	36.5	1.6	511.0	161.3	47.4	818.7
Net Book Value, at 31 December 2008		61.0	37.6	31.8	480.9	159.1	33.8	804.2

NOTES TO THE FINANCIAL STATEMENTS

27 PROPERTY, PLANT AND EQUIPMENT (continued)

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works In Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development	Other Assets ⁽²⁾	
27.2 SHAREHOLDERS' AND GENERAL INSURANCE FUNDS								
Cost								
Cost at 1 January 2007		–	–	–	0.3	10.1	3.8	14.2
Additions		–	–	–	–	0.8	0.9	1.7
Disposals / assets written off		–	–	–	–	(0.7)	(0.3)	(1.0)
Translation reserve adjustment		–	–	–	–	(0.1)	–	(0.1)
Cost at 31 December 2007 and 1 January 2008		–	–	–	0.3	10.1	4.4	14.8
Additions		–	–	–	–	1.4	1.2	2.6
Disposals / assets written off		–	–	–	(0.3)	(5.4)	(0.9)	(6.6)
Translation reserve adjustment		–	–	–	–	(0.1)	(0.1)	(0.2)
Cost at 31 December 2008		–	–	–	–	6.0	4.6	10.6
Accumulated Depreciation								
At 1 January 2007		–	–	–	(0.1)	(9.0)	(2.2)	(11.3)
Depreciation charge for the year		–	–	–	–	(1.0)	(0.7)	(1.7)
Disposals / assets written off		–	–	–	–	0.1	0.1	0.2
Translation reserve adjustment		–	–	–	–	0.6	0.2	0.8
At 31 December 2007 and 1 January 2008		–	–	–	(0.1)	(9.3)	(2.6)	(12.0)
Depreciation charge for the year		–	–	–	–	(0.7)	(0.8)	(1.5)
Disposals / assets written off		–	–	–	0.1	5.4	0.6	6.1
Increase in provision for impairment	6	–	–	–	–	–	(0.3)	(0.3)
Translation reserve adjustment		–	–	–	–	–	0.1	0.1
Accumulated Depreciation, at 31 December 2008		–	–	–	–	(4.6)	(3.0)	(7.6)
Net Book Value								
Net Book Value, at 31 December 2007		–	–	–	0.2	0.8	1.8	2.8
Net Book Value, at 31 December 2008		–	–	–	–	1.4	1.6	3.0

NOTES TO THE FINANCIAL STATEMENTS

27 PROPERTY, PLANT AND EQUIPMENT (continued)

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works In Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development	Other Assets ⁽²⁾	
27.3 LIFE ASSURANCE FUND								
Cost								
At 1 January 2007								
Cost		62.5	35.8	34.7	486.4	261.3	73.4	954.1
Reclassification from investment properties	26	0.1	2.9	3.5	120.5	–	–	127.0
Cost at 1 January, restated		62.6	38.7	38.2	606.9	261.3	73.4	1,081.1
Additions		–	1.3	–	13.9	46.9	20.4	82.5
Disposals / assets written off		–	–	–	–	(56.0)	(1.1)	(57.1)
Reclassification		–	–	(11.3)	11.3	–	–	–
Reclassification to investment properties	26	–	–	(25.9)	–	–	–	(25.9)
Translation reserve adjustment		–	–	0.6	(0.1)	(0.2)	(0.1)	0.2
Cost at 31 December 2007 and 1 January 2008		62.6	40.0	1.6	632.0	252.0	92.6	1,080.8
Additions		–	–	31.6	(1.1)	53.4	3.1	87.0
Disposals / assets written off		–	–	–	–	(30.2)	(0.5)	(30.7)
Reclassification		–	–	(0.7)	0.7	–	–	–
⁽³⁾ Reclassification to investment properties	26	–	–	(0.6)	–	–	(16.2)	(16.8)
Translation reserve adjustment		(0.2)	(0.3)	(0.1)	(8.3)	(3.5)	(3.4)	(15.8)
Cost at 31 December 2008		62.4	39.7	31.8	623.3	271.7	75.6	1,104.5

NOTES TO THE FINANCIAL STATEMENTS

27 PROPERTY, PLANT AND EQUIPMENT (continued)

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works In Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development	Other Assets ⁽²⁾	
27.3 LIFE ASSURANCE FUND (continued)								
Accumulated Depreciation								
At 1 January 2007		(13.0)	(3.5)	–	(97.5)	(116.5)	(40.3)	(270.8)
Depreciation charge for the year		–	–	–	(12.6)	(22.5)	(8.0)	(43.1)
Disposals / assets written off		–	–	–	–	47.4	1.1	48.5
Decrease in provision for impairment	6	–	–	–	0.7	–	–	0.7
Reclassification		11.3	–	–	(11.3)	–	–	–
Translation reserve adjustment		–	–	–	(0.5)	0.1	0.2	(0.2)
At 31 December 2007 and 1 January 2008		(1.7)	(3.5)	–	(121.2)	(91.5)	(47.0)	(264.9)
Depreciation charge for the year		–	(0.1)	–	(11.7)	(34.5)	(6.3)	(52.6)
Disposals / assets written off		–	–	–	–	10.1	7.6	17.7
⁽⁴⁾ Increase in provision for impairment	6	–	–	–	(8.7)	–	–	(8.7)
Reclassification		0.3	1.4	–	(1.7)	–	–	–
Translation reserve adjustment		–	0.1	–	0.9	1.9	2.3	5.2
Accumulated Depreciation, at 31 December 2008		(1.4)	(2.1)	–	(142.4)	(114.0)	(43.4)	(303.3)
Net Book Value								
Net Book Value, at 31 December 2007		60.9	36.5	1.6	510.8	160.5	45.6	815.9
Net Book Value, at 31 December 2008		61.0	37.6	31.8	480.9	157.7	32.2	801.2

⁽¹⁾ If the freehold land, leasehold land and buildings were measured using the market value, the carrying amount would be as follows:

in Singapore Dollars (millions)	Group	
	2008	2007
Freehold land, Leasehold land and Buildings	687.0	783.5

⁽²⁾ Other assets include motor vehicles, office furniture, fittings and equipment.

As at year end, the Company held motor vehicles with a net book value of \$0.3 million (2007: \$0.3 million) and depreciation for the year was \$0.1 million (2007: nil).

⁽³⁾ An amount of \$16.8 million (2007: \$25.9 million) was reclassified from property, plant and equipment during the year as these assets qualify for recognition as part of investment properties for the year.

⁽⁴⁾ An impairment loss of \$9.0 million was recognised to write-down a building to its recoverable amount based on its market value. The market value was determined based on a property valuation.

NOTES TO THE FINANCIAL STATEMENTS

28 EXECUTIVES' SHARE OPTION SCHEME

28.1 GEH Share Option Scheme

The Great Eastern Holdings Executives' Share Option Scheme ("GEH Option Scheme") is administered by the Company's Remuneration Committee. No options were granted under this scheme during the financial year ended 31 December 2008.

28.2 OCBC Share Option Scheme

In April 2005, the GEH Optionholders were nominated to participate in the OCBC Bank Share Option Scheme (2001) ("OCBC Option Scheme"). The acquisition price of the options granted is equal to the average of the last traded price of the ordinary shares of OCBC Bank over five consecutive days immediately prior to the date of the grant. The options vest in one-third increment over a period of three years, and are exercisable after the first anniversary of the date of grant up to the date of expiration of the options. The share options have a validity period of 10 years from date of grant.

The fair value of the share options is recognised by the GEH Group as staff costs in the Profit and Loss Statement or Revenue Statements of the respective insurance funds, as appropriate. The Group uses the binomial model to derive the fair value of share options granted by OCBC Bank. The value of the share options is recognised in the Profit and Loss Statement or Revenue Statements over the vesting period of the share options. At each balance sheet date, the Group revises its estimates of number of options that are expected to become exercisable, and the impact of the change to the original estimates, if any, is recognised in the Profit and Loss Statement or Revenue Statements accordingly.

At the Extraordinary General Meeting of OCBC Bank held on 19 April 2007, certain alterations proposed by OCBC Bank's Remuneration Committee to OCBC Option Scheme were approved by its shareholders. These alterations enable option holders to select one of the following alternatives when exercising their options:

- (i) All share election – an election to receive in full the number of ordinary shares upon full payment of the aggregate acquisition cost in respect of options exercised;
- (ii) Partial share election – an election to receive ordinary shares representing the notional profit which would have been derived if the ordinary shares in respect of the options exercised had been sold; or
- (iii) Cash election – an election to receive in cash the profit derived from the sale of OCBC Bank's share in respect of the options exercised.

In March 2008, OCBC Bank granted 1,278,500 options (2007: 1,097,000) to GEH Optionholders to acquire ordinary shares in OCBC Bank ("OCBC shares") pursuant to 2001 scheme. This included 120,000 options (2007: 112,000 options) granted to directors of the Group. The fair value of share options granted during the financial year ended 31 December 2008 determined using the binomial valuation model was \$2.3 million (2007: \$1.9 million). There are no market conditions or non-market performance conditions associated with the share option grants. Service conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date. Significant inputs that were used to determine the fair value of options granted were set out below.

	2008	2007
Acquisition price (\$)	7.52	8.59
Average share price from grant date to acceptance date (\$)	8.16	9.00
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	25.23	20.21
Risk-free rate based on SGS bond yield at acceptance date (%)	2.27	2.74
Expected dividend yield (%)	3.43	2.56
Exercise multiple (times)	1.57	1.57
Option life (years)	10	10

NOTES TO THE FINANCIAL STATEMENTS

28 EXECUTIVES' SHARE OPTION SCHEME (continued)

28.2 OCBC Share Option Scheme (continued)

Information with respect to the number of options granted under the OCBC Option Scheme to GEH Optionholders is as follows:

	2008		2007	
	Number of options	Average Price	Number of options	Average Price
Number of shares comprised in options:				
At beginning of year	4,218,874	\$6.698	4,268,184	\$6.022
Granted during the year	1,278,500	\$7.520	1,097,000	\$8.590
Lapsed during the year	(218,128)	\$7.371	(73,486)	\$6.034
Exercised during the year	(555,524)	\$5.973	(1,072,824)	\$5.989
Outstanding at end of year	4,723,722	\$6.975	4,218,874	\$6.698
Exercisable at end of year	2,434,382	\$6.345	1,267,026	\$5.950
Weighted average share price underlying the options exercised during the financial year		\$7.826		\$8.904

Details of the options outstanding as at 31 December 2008 are as follows:

Grant year	Grant date	Exercise period	Acquisition Price	2008	
				Outstanding	Exercisable
2004	15.03.2004	16.03.2005 – 14.03.2014	\$5.142	25,920	25,920
2005	14.03.2005	15.03.2006 – 13.03.2015	\$5.767	23,024	23,024
2005A	08.04.2005	09.04.2006 – 07.04.2015	\$5.784	1,438,228	1,438,228
2006B	23.05.2006	24.05.2007 – 22.05.2016	\$6.580	1,059,040	634,040
2007B	14.03.2007	15.03.2008 – 13.03.2017	\$8.590	951,010	313,170
2008	14.03.2008	15.03.2009 – 13.03.2018	\$7.520	1,226,500	–
				4,723,722	2,434,382

The carrying amount of the liability recognised on the Group's balance sheet related to the above equity-settled options at 31 December 2008 is \$3.2 million (31 December 2007: \$2.4 million).

As at 31 December 2008, the weighted average remaining contractual life of outstanding options was 7.7 years (2007: 8.1 years). The aggregate outstanding number of options held by directors of the Company was 441,406 (2007: 321,406).

NOTES TO THE FINANCIAL STATEMENTS

28 EXECUTIVES' SHARE OPTION SCHEME (continued)

28.3 OCBC Deferred Share Plan ("DSP")

The DSP is a share-based plan implemented in 2003 and administered by the OCBC Remuneration Committee. The DSP is a discretionary share-based incentive and retention award program extended to executives of OCBC's subsidiaries at the discretion of the Remuneration Committee. The awards are granted at no cost to the grantees, on a deferred basis as part of their performance bonus. Such awards shall lapse by reason of cessation of service but may be preserved at the discretion of the Remuneration Committee. The DSP does not involve the issue of new shares. Instead, existing shares will be purchased from the market for release to the grantees at the end of the respective vesting periods.

During the financial year, total awards of 1,096,743 (2007: nil) OCBC ordinary shares were granted to eligible executives of GEH Group under the DSP, of which 105,344 (2007: nil) were granted to the directors of the GEH Group. The fair value of the shares at grant date was \$8.3 million (2007: nil). In addition, total awards of 37,348 OCBC shares (including awards of 3,735 ordinary shares granted to directors of the Company) were awarded to grantees pursuant to declarations of interim dividend for financial year ended 31 December 2008.

28.4 OCBC Employee Share Purchase Plan ("ESP")

All employees of OCBC Bank and their subsidiaries who have attained the age of 21 years and have been employees for a period of not less than six months are eligible to participate in the ESP Plan unless they are also controlling shareholders of the Bank or their associates. The purpose of the ESP Plan is to provide employees with an opportunity to increase their personal equity interest in the Bank. The Bank will either issue new shares or transfer treasury shares to employees upon the exercise or conversion of acquisition rights. The ESP Plan is administered by the OCBC Bank Remuneration Committee.

The acquisition price is equal to the average of the last traded price of the ordinary shares of OCBC Bank on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the price fixing date for the acquisition price of the ordinary shares (as determined by the OCBC Bank Remuneration Committee).

A participant may participate in the ESP Plan for an offering period by making contributions in cash by means of monthly deductions from his monthly base salary and/or his designated account; and/or by monthly debits from his CPF Ordinary Account to his ESP Plan account.

The fair value of the rights under the third offering of the ESP Plan launched in June 2008, determined using the binomial valuation model was \$1.5 million. Significant inputs into the model were the average OCBC share price of \$8.08, expected volatility of 24.17%, dividend yield of 2.4% and annual risk-free interest rate based on 2-year swap rate of 2.74%.

A summary of the movement in the number of acquisition rights of the ESP Plan issued to GEH Group's employees is as follows:

	Number of Subscription Rights 2008	Weighted Average Subscription Price 2008	Number of Subscription Rights 2007	Weighted Average Subscription Price 2007
At 1 January	–	\$ –	–	\$ –
Subscriptions on commencement of plan	1,335,779	\$8.270	–	\$ –
Exercised	–	\$ –	–	\$ –
Lapsed / Forfeited	(80,014)	\$8.270	–	\$ –
At 31 December	1,255,765	\$8.270	–	\$ –
Average share price underlying acquisition rights exercised during the year		\$8.328		\$8.963

At 31 December 2008, no director of GEH Group has acquisition rights under the ESP Plan (2007: nil).

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
	2008	2007	2008	2007	2008	2007		
29 COMMITMENTS								
29.1 Capital commitments								
Commitments for capital expenditure not provided for in the financial statements:								
– investment properties	1.8	3.9	–	–	1.8	3.9	–	–
– property, plant and equipment	78.3	78.2	–	–	78.3	78.2	–	–
	80.1	82.1	–	–	80.1	82.1	–	–

29.2 Operating lease commitments

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum lease payments receivable under non-cancellable operating leases are as follows as of 31 December:

Within one year	25.9	32.1	–	–	25.9	32.1	–	–
After one year but not more than five years	41.1	29.4	–	–	41.1	29.4	–	–
More than five years	0.2	–	–	–	0.2	–	–	–
	67.2	61.5	–	–	67.2	61.5	–	–

The Group has entered into operating lease agreements for computer equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 4 years. Operating lease payments recognised in the consolidated Profit and Loss Statement and Revenue Statements during the year amounted to \$0.7 million (2007: \$1.7 million).

Future minimum lease payments payable under non-cancellable operating leases contracted for as at 31 December 2008 but not recognised as liabilities, are payable as follows:

Within one year	1.3	1.6	0.9	0.8	0.4	0.8	–	–
After one year but not more than five years	13.4	3.5	1.1	1.5	12.3	2.0	–	–
	14.7	5.1	2.0	2.3	12.7	2.8	–	–

NOTES TO THE FINANCIAL STATEMENTS

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2008	2007
	2008	2007	2008	2007	2008	2007		

30 RELATED PARTY TRANSACTIONS

30.1 Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

Management and performance fees paid by insurance funds to subsidiaries	35.2	45.9	3.8	3.7	31.4	42.2	–	–
Interest income received from holding company	6.4	9.2	2.8	3.8	3.6	5.4	0.1	0.5
Fees receivable from holding company	0.9	0.8	0.9	0.8	–	–	–	–
Commission and brokerage expenses payable to related parties of the holding company	1.9	10.9	1.8	1.8	0.1	9.1	–	–
Cash and cash equivalents held with holding company	891.0	1,242.1	131.6	173.5	759.4	1,068.6	4.8	9.0
Amount due to holding company	3.2	2.4	3.2	2.4	–	–	–	–

30.2 Compensation of key management personnel

Short-term employee benefits	10.4	9.6	3.9	3.0	6.5	6.6	0.9	0.5
Other long-term benefits	0.8	2.5	0.1	0.2	0.7	2.3	–	–
Central Provident Fund / Employee Provident Fund	0.3	0.2	0.1	0.1	0.2	0.1	–	–
Share-based payments	2.0	0.6	0.6	0.1	1.4	0.5	–	–
	13.5	12.9	4.7	3.4	8.8	9.5	0.9	0.5

Comprise amounts paid to:

Directors of the Company	4.1	3.7	1.6	0.7	2.5	3.0	0.7	0.5
Other key management personnel	9.4	9.2	3.1	2.7	6.3	6.5	–	–
	13.5	12.9	4.7	3.4	8.8	9.5	0.7	0.5

The Group enters into transactions with its related parties in the normal course of business. Transactions are carried out on an arm's length basis.

30.3 Directors' remuneration bands

The number of Directors of the Company during the financial year in remuneration bands are as follows:

\$2,500,000 to \$2,749,999	–	1
\$2,000,000 to \$2,249,999	1	–
\$500,000 to \$749,999	1	–
\$250,000 to \$499,999	1	1
Below \$250,000	8	7
	11**	9**

** excludes one director who retired in April 2008 whose remuneration band is within below \$250,000 (2007: one director who resigned in April 2008 whose remuneration band was within below \$250,000)

NOTES TO THE FINANCIAL STATEMENTS

31 SEGMENTAL INFORMATION

Reporting format

The primary segment reporting format is the geographical segment as the Group's risks and rewards are affected predominantly by operating conditions in different countries and geographical areas. Secondary segment is reported by business category.

Geographical segments

The Group's geographical segments are based on the location of the Group's assets and are organised in Singapore, Malaysia and Other Asia. Sales to external customers disclosed in geographical segments are based on the respective location of its customers.

Business segments

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products for the different markets. The Life Assurance segment comprises life insurance, long-term health and accident insurance and annuity business written and includes the unit-linked business. The General Insurance segment provides cover for risks associated mainly with property and casualty related business. The Shareholders segment includes fund management business and general corporate income and expense items.

The business segment information for shareholders' fund and general insurance fund have not been separately presented below as they are considered single business segments. Disclosures of information can be found in other parts of these financial statements.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, interest-bearing loans and related expenses. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third party. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

(1) By Geographical Segments

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
(a) Shareholders' Fund										
Life assurance profit from:										
Participating Fund	55.5	72.9	46.0	69.5	0.5	0.5	–	–	102.0	142.9
Non-participating Fund	70.4	131.2	59.1	170.8	0.3	–	–	–	129.8	302.0
Investment-linked Fund	14.0	12.8	59.7	55.6	(5.1)	(4.1)	–	–	68.6	64.3
Profit / (loss) from life assurance	139.9	216.9	164.8	295.9	(4.3)	(3.6)	–	–	300.4	509.2
Profit from general insurance	6.7	10.6	9.9	17.5	–	–	–	–	16.6	28.1
Profit / (loss) from insurance operations^(31.1)	146.6	227.5	174.7	313.4	(4.3)	(3.6)	–	–	317.0	537.3
Investment income, net	334.1	226.1	8.6	6.2	3.0	–	(236.1)	(139.5)	109.6	92.8
Gain on sale of investments and changes in fair value	2.5	29.0	0.4	7.2	(0.1)	–	–	–	2.8	36.2
Increase in provision for impairment of assets	(52.0)	(4.6)	(0.4)	–	–	–	–	–	(52.4)	(4.6)
Loss in exchange differences	(19.1)	(12.9)	–	–	–	–	–	–	(19.1)	(12.9)
Profit from investments	265.5	237.6	8.6	13.4	2.9	–	(236.1)	(139.5)	40.9	111.5

NOTES TO THE FINANCIAL STATEMENTS

31 SEGMENTAL INFORMATION (continued)

(1) By Geographical Segments (continued)

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
(a) Shareholders' Fund (continued)										
Fees and other income	79.5	105.6	–	–	–	–	–	–	79.5	105.6
Profit / (loss) before expenses	491.6	570.7	183.3	326.8	(1.4)	(3.6)	(236.1)	(139.5)	437.4	754.4
Management and other expenses	118.4	67.5	0.9	4.0	5.9	9.6	–	–	125.2	81.1
Depreciation	1.0	1.2	–	–	–	–	–	–	1.0	1.2
Total expenses	119.4	68.7	0.9	4.0	5.9	9.6	–	–	126.2	82.3
Profit / (loss) after expenses	372.2	502.0	182.4	322.8	(7.3)	(13.2)	(236.1)	(139.5)	311.2	672.1
Share of loss of associates	(6.9)	(0.6)	–	–	–	–	–	–	(6.9)	(0.6)
Share of loss of joint ventures	–	–	–	–	(4.4)	(2.0)	–	–	(4.4)	(2.0)
	365.3	501.4	182.4	322.8	(11.7)	(15.2)	(236.1)	(139.5)	299.9	669.5
less: Income tax	(22.3)	61.0	37.7	83.5	–	–	(0.2)	(38.2)	15.2	106.3
Profit / (loss) after income tax	387.6	440.4	144.7	239.3	(11.7)	(15.2)	(235.9)	(101.3)	284.7	563.2
Segment assets	3,179.7	3,493.8	362.2	511.0	51.5	9.0	(134.5)	(85.6)	3,458.9	3,928.2
Investments in associates and joint ventures	57.4	77.3	–	–	–	–	–	–	57.4	77.3
Total assets employed	3,237.1	3,571.1	362.2	511.0	51.5	9.0	(134.5)	(85.6)	3,516.3	4,005.5
Segment liabilities	344.6	432.1	57.5	60.5	0.7	–	–	–	402.8	492.6
Income tax and deferred tax liabilities	67.8	152.5	6.0	41.7	–	–	–	–	73.8	194.2
Total liabilities	412.4	584.6	63.5	102.2	0.7	–	–	–	476.6	686.8
Other segment information:										
Capital expenditure: property, plant and equipment	1.9	1.2	–	–	–	–	–	–	1.9	1.2
Non-cash items										
Depreciation	1.0	1.2	–	–	–	–	–	–	1.0	1.2
Impairment of assets	52.0	4.6	0.4	–	–	–	–	–	52.4	4.6
Changes in fair value of investments	28.8	(3.6)	–	–	0.1	–	–	–	28.9	(3.6)

NOTES TO THE FINANCIAL STATEMENTS

31 SEGMENTAL INFORMATION (continued)

(1) By Geographical Segments (continued)

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007

^(31.1) On a restated basis for all funds net of tax, profit or loss from insurance operations would be as follows:

Profit / (loss) before tax from insurance operations	178.8	277.4	178.2	319.9	(4.3)	(3.6)	–	–	352.7	593.7
less: Income tax	32.2	49.9	37.9	86.4	–	–	–	–	70.1	136.3
Profit / (loss) after tax from insurance operations	146.6	227.5	140.3	233.5	(4.3)	(3.6)	–	–	282.6	457.4

Profit transferred from Singapore insurance funds and Malaysia general funds are presented net of tax in the Profit and Loss Statement and Revenue Statements. This is done to reflect the substance that the tax liability is borne by the respective insurance funds. Profit transferred from Malaysia life funds are presented before tax in the Revenue Statements.

(b) General Insurance Fund

Premiums less reinsurances	30.3	23.4	53.7	47.1	–	–	–	–	84.0	70.5
less: Increase in unexpired risk reserve during the year, net	(3.5)	(2.6)	(3.4)	(0.9)	–	–	–	–	(6.9)	(3.5)
Net earned premiums	26.8	20.8	50.3	46.2	–	–	–	–	77.1	67.0
Commissions received from reinsurers	8.7	7.3	9.0	8.8	–	–	–	–	17.7	16.1
Total income	35.5	28.1	59.3	55.0	–	–	–	–	94.8	83.1
Net claims and increase in loss reserves	10.7	14.1	23.0	24.6	–	–	–	–	33.7	38.7
Commissions and agency expenses	10.7	7.3	13.2	11.8	–	–	–	–	23.9	19.1
Management expenses	7.8	7.4	12.4	11.7	–	–	–	–	20.2	19.1
Depreciation	–	0.1	0.5	0.4	–	–	–	–	0.5	0.5
Total expenses	29.2	28.9	49.1	48.5	–	–	–	–	78.3	77.4
Net underwriting profit	6.3	(0.8)	10.2	6.5	–	–	–	–	16.5	5.7
Investment income, net (Loss) / gain on sale of investments and changes in fair value	2.4	3.2	5.1	5.1	–	–	–	–	7.5	8.3
Increase in provision for impairment of assets	(0.1)	11.6	1.4	12.8	–	–	–	–	1.3	24.4
Gain in exchange differences	(0.8)	–	(1.7)	–	–	–	–	–	(2.5)	–
Gain in exchange differences	–	0.1	–	–	–	–	–	–	–	0.1
Profit from investments	1.5	14.9	4.8	17.9	–	–	–	–	6.3	32.8
Excess of income over expenses before income tax	7.8	14.1	15.0	24.4	–	–	–	–	22.8	38.5
less: Income tax	1.0	3.5	5.2	6.9	–	–	–	–	6.2	10.4
Profit from general insurance transferred to profit and loss statement	6.8	10.6	9.8	17.5	–	–	–	–	16.6	28.1

NOTES TO THE FINANCIAL STATEMENTS

31 SEGMENTAL INFORMATION (continued)

(1) By Geographical Segments (continued)

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
(b) General Insurance Fund (continued)										
Segment assets / Total assets employed	100.3	85.9	101.8	120.1	–	0.5	–	–	202.1	206.5
Segment liabilities	94.3	79.2	99.5	114.2	–	0.5	–	–	193.8	193.9
Income tax and deferred tax liabilities	6.0	6.7	2.3	5.9	–	–	–	–	8.3	12.6
Total liabilities	100.3	85.9	101.8	120.1	–	0.5	–	–	202.1	206.5
Other segment information:										
Capital expenditure: property, plant and equipment	–	–	0.7	0.5	–	–	–	–	0.7	0.5
Non-cash items:										
Depreciation	–	0.1	0.5	0.4	–	–	–	–	0.5	0.5
Impairment of assets	0.8	–	1.7	–	–	–	–	–	2.5	–
Changes in fair value of investments	–	0.1	–	–	–	–	–	–	–	0.1
(c) Life Assurance Fund										
Premiums less reassurances	4,746.3	3,843.3	2,023.2	1,889.7	36.2	60.1	–	–	6,805.7	5,793.1
Commissions received from reinsurers	3.3	3.6	7.1	5.6	–	–	–	–	10.4	9.2
Investment income, net	757.7	726.5	759.2	722.2	9.3	18.1	–	–	1,526.2	1,466.8
Rental income, net	40.6	37.3	16.0	10.0	–	–	–	–	56.6	47.3
(Loss) / gain on sale of investments and changes in fair value	(1,827.1)	985.8	354.6	659.4	(18.6)	5.9	–	–	(1,491.1)	1,651.1
(Increase) / decrease in provision for impairment of assets	(400.9)	(0.9)	(21.9)	2.7	(8.9)	–	–	–	(431.7)	1.8
(Loss) / gain in exchange differences	(69.1)	(100.0)	0.2	–	(1.3)	(0.6)	–	–	(70.2)	(100.6)
	3,250.8	5,495.6	3,138.4	3,289.6	16.7	83.5	–	–	6,405.9	8,868.7
Claims less reassurances	3,104.3	3,688.8	1,102.5	1,135.5	20.2	19.1	–	–	4,227.0	4,843.4
Commissions and agency expenses	228.4	192.7	296.6	293.9	6.1	4.4	–	–	531.1	491.0
Management expenses	192.1	102.7	98.4	87.4	10.3	5.9	–	–	300.8	196.0
Agents' retirement benefits	–	–	25.0	22.7	–	–	–	–	25.0	22.7
Depreciation	27.0	22.4	24.9	20.4	0.7	0.3	–	–	52.6	43.1
Change in life assurance fund contract liabilities	(2,186.7)	894.9	881.1	1,031.4	6.9	56.8	–	–	(1,298.7)	1,983.1
	1,365.1	4,901.5	2,428.5	2,591.3	44.2	86.5	–	–	3,837.8	7,579.3
	1,885.7	594.1	709.9	698.3	(27.5)	(3.0)	–	–	2,568.1	1,289.4

NOTES TO THE FINANCIAL STATEMENTS

31 SEGMENTAL INFORMATION (continued)

(1) By Geographical Segments (continued)

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
(c) Life Assurance Fund (continued)										
Share of (loss) / profit of associates	(36.2)	30.4	-	-	-	-	-	-	(36.2)	30.4
Share of profit / (loss) of joint ventures	4.8	(0.7)	-	-	-	-	-	-	4.8	(0.7)
	1,854.3	623.8	709.9	698.3	(27.5)	(3.0)	-	-	2,536.7	1,319.1
less: Income tax	(340.1)	183.9	85.6	115.7	(0.6)	0.6	-	-	(255.1)	300.2
	2,194.4	439.9	624.3	582.6	(26.9)	(3.6)	-	-	2,791.8	1,018.9
Retained in life assurance fund	2,054.5	223.0	459.5	286.7	(22.6)	-	-	-	2,491.4	509.7
Transferred to profit and loss statement	139.9	216.9	164.8	295.9	(4.3)	(3.6)	-	-	300.4	509.2
	2,194.4	439.9	624.3	582.6	(26.9)	(3.6)	-	-	2,791.8	1,018.9
Segment assets	23,790.7	24,995.5	15,859.2	16,504.3	260.2	299.0	-	-	39,910.1	41,798.8
Investments in associates and joint ventures	397.7	504.6	-	-	-	-	-	-	397.7	504.6
Total assets employed	24,188.4	25,500.1	15,859.2	16,504.3	260.2	299.0	-	-	40,307.8	42,303.4
Segment liabilities	23,718.1	24,656.2	15,756.3	16,277.9	262.1	297.7	-	-	39,736.5	41,231.8
Income tax and deferred tax liabilities	470.3	843.9	102.9	226.4	(1.9)	1.3	-	-	571.3	1,071.6
Total liabilities	24,188.4	25,500.1	15,859.2	16,504.3	260.2	299.0	-	-	40,307.8	42,303.4
Other segment information:										
Capital expenditure:										
- property, plant and equipment	61.4	32.0	22.9	46.3	2.7	4.2	-	-	87.0	82.5
- investment properties	0.1	-	7.9	23.3	-	-	-	-	8.0	23.3
Non-cash items:										
Depreciation	27.0	22.3	24.9	20.4	0.7	0.4	-	-	52.6	43.1
Impairment of assets	400.9	(1.1)	21.9	(0.7)	8.9	-	-	-	431.7	(1.8)
Changes in fair value of investments	1,278.7	87.4	140.9	(60.2)	2.5	(0.4)	-	-	1,422.1	26.8

NOTES TO THE FINANCIAL STATEMENTS

31 SEGMENTAL INFORMATION (continued)

(2) By Business Segments

in Singapore Dollars (millions)	Group							
	Life Assurance Fund (Non-Linked)		Life Assurance Fund (Linked)		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Premiums less reassurances	5,722.8	3,977.6	1,082.9	1,815.5	–	–	6,805.7	5,793.1
Commissions received from reinsurers	8.6	8.8	1.8	0.4	–	–	10.4	9.2
Investment income, net	1,412.1	1,368.1	114.1	98.7	–	–	1,526.2	1,466.8
Rental income, net	56.6	47.3	–	–	–	–	56.6	47.3
(Loss) / gain on sale of investments and changes in fair value	100.5	1,456.1	(1,591.6)	195.0	–	–	(1,491.1)	1,651.1
(Increase) / decrease in provision for impairment of assets	(431.7)	1.8	–	–	–	–	(431.7)	1.8
(Loss) / gain in exchange differences	(76.7)	(95.1)	6.5	(5.5)	–	–	(70.2)	(100.6)
	6,792.2	6,764.6	(386.3)	2,104.1	–	–	6,405.9	8,868.7
Claims less reassurances	3,868.3	3,967.1	358.7	876.3	–	–	4,227.0	4,843.4
Commissions and agency expenses	376.2	311.2	154.9	179.8	–	–	531.1	491.0
Management expenses	237.6	137.0	63.2	59.0	–	–	300.8	196.0
Agents' retirement benefits	21.5	19.5	3.5	3.2	–	–	25.0	22.7
Depreciation	50.1	41.4	2.5	1.7	–	–	52.6	43.1
Change in life assurance fund contract liabilities	(268.6)	1,083.9	(1,030.1)	899.2	–	–	(1,298.7)	1,983.1
	4,285.1	5,560.1	(447.3)	2,019.2	–	–	3,837.8	7,579.3
	2,507.1	1,204.5	61.0	84.9	–	–	2,568.1	1,289.4
Share of (loss) / profit of associates	(36.2)	30.4	–	–	–	–	(36.2)	30.4
Share of profit / (loss) of joint ventures	4.8	(0.7)	–	–	–	–	4.8	(0.7)
	2,475.7	1,234.2	61.0	84.9	–	–	2,536.7	1,319.1
less: Income tax	(241.2)	283.6	(13.9)	16.6	–	–	(255.1)	300.2
	2,716.9	950.6	74.9	68.3	–	–	2,791.8	1,018.9

NOTES TO THE FINANCIAL STATEMENTS

31 SEGMENTAL INFORMATION (continued)

(2) By Business Segments (continued)

in Singapore Dollars (millions)	Group							
	Life Assurance Fund (Non-Linked)		Life Assurance Fund (Linked)		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Retained in life assurance fund	2,485.1	505.7	6.3	4.0	–	–	2,491.4	509.7
Transferred to profit and loss statement	231.8	444.9	68.6	64.3	–	–	300.4	509.2
	2,716.9	950.6	74.9	68.3	–	–	2,791.8	1,018.9
Segment assets	36,595.5	37,814.3	3,314.6	3,984.5	–	–	39,910.1	41,798.8
Investments in associates and joint ventures	397.7	504.6	–	–	–	–	397.7	504.6
Total assets employed	36,993.2	38,318.9	3,314.6	3,984.5	–	–	40,307.8	42,303.4
Other segment information:								
Capital expenditure:								
– property, plant and equipment	87.0	82.5	–	–	–	–	87.0	82.5
– investment properties	8.0	23.3	–	–	–	–	8.0	23.3
Non-cash items:								
Depreciation	50.1	41.4	2.5	1.7	–	–	52.6	43.1
Impairment of assets	431.7	(1.8)	–	–	–	–	431.7	(1.8)
Changes in fair value of investments	131.5	(76.2)	1,290.6	103.0	–	–	1,422.1	26.8

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance framework

The underlying premise of the Enterprise Risk Management (“ERM”) Framework is that the Group exists to provide value for its stakeholders and in growing stakeholder value, the Group will need to undertake risks. The challenge is to strike an optimal balance between building controls to protect against risks while not jeopardising the Group’s resilience and competitiveness. Risk management is considered an integral part of managing the Group’s core business and the ERM Framework is designed to identify potential events that may affect the Group, and to manage risk within approved risk appetite and to provide reasonable assurance regarding the achievement of the Group’s objectives.

The risk management policies described are generally adopted by the Company and all its operating subsidiaries within the Group. However, certain deviations and modifications exist to comply with specific regulations of the respective country jurisdiction in which the subsidiary operates. Group Risk Management department spearheads the development and implementation of the ERM Framework for the Group.

The Risk and Investment Committee (“RIC”) was constituted to provide oversight on the risk management initiatives. At the group level, detailed risk management and oversight activities are undertaken by the following group management committees comprising the Group Chief Executive Officer and key Senior Management Executives of key operating subsidiaries:

- Group Management Team (“GMT”)
- Group Asset-Liability Committee (“Group ALC”)

GMT is responsible for formulating the Group’s corporate vision, mission, core values, financial goals, business portfolio mix and risk profile. It also reviews and monitors the execution of the Group’s corporate strategy and oversees the development and deployment of resources for growth in markets which the Group operates. In addition, GMT is responsible for the oversight of operational risks faced by the Group, including the monitoring of related limits and policies such as underwriting limits and business continuity plans. The GMT is supported by the local Senior Management Team (“SMT”) and Product Development Committee (“PDC”) at the key operating subsidiaries. The SMTs oversee business and operational risks at the local level while the PDCs oversee the product development and launch process.

Group ALC is responsible for managing the Group’s balance sheet, including the insurance, market and credit risks faced by the Group. This includes the formulation of the group wide investment strategy, asset mix and group level risk policies such as the risk and capital management policy, asset-liability management policy and credit policy. Group ALC is supported by the local Asset-Liability Committee (“ALC”) at the key operating subsidiaries, which is in turn supported by sub-committees focusing on each asset class such as Credit Risk Committee (“CRC”) and Alternative Investment Committee.

Regulatory framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors (“Board”). The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Risk and capital management framework

GEH’s capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with optimum buffer to meet policyholders’ obligations and regulatory requirements and make strategic investments for business growth.

The management of capital and risk is guided by the GEH Risk and Capital Management Framework, known as RK20.12, where R stands for risk, K for capital, and 20 and 12 represent the 20 business and operational risks and 12 financial risks which the framework encompasses. RK 20.12 comprises two distinct components, namely the risk measurement model for financial risks and the control self assessment process for governing business and operational risks. The risk measurement model strives to achieve the dual objectives of consistency and measurements/parameters based on economic factors. The model defines risk using the Value-at-Risk measure calibrated to the 99.5th percentile confidence level over a one-year horizon. The control self assessment is a systematic process by which individual business unit analyses its own business processes methodically to identify the strengths and weaknesses of its risk control environment that could have a potential impact on its ability to achieve the Group’s business objectives. Together, the two components of RK20.12 provide a disciplined risk management framework that guides the Group in the achievement of its goals and objectives through active asset and liability management, as well as strategic and tactical risk and capital allocations.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk and capital management framework (continued)

Regulatory Capital

The insurance subsidiaries of the Group are required to comply with capital ratios prescribed in the Insurance Regulations of the jurisdiction in which the subsidiary operates.

In Singapore, the minimum capital requirement under the Risk-based Capital Framework regulated by the Monetary Authority of Singapore is 120% for each insurance entity. The capital requirements include capital residing in the participating fund which is not fungible. Regulated capital of the consolidated Singapore insurance subsidiaries as at 31 December 2008 comprised Available Capital of \$6.0 billion (31 December 2007: \$7.4 billion), Risk Capital of \$2.6 billion (31 December 2007: \$2.9 billion) and Capital Adequacy Ratio of 227% (31 December 2007: 252%). Including capital at GEH, overall Singapore Capital Adequacy Ratio was 249% (31 December 2007: 272%).

In Malaysia and other subsidiaries, margins of solvency are prescribed. Assets are not marked to market under this regime. A proxy for measurement of financial soundness and strength is the ratio of fund surplus computed under margin of solvency rules over the long term actuarial liabilities whose valuations are prescribed by the insurance regulations. In Malaysia, the ratio on marked to market basis was 33% as at 31 December 2008 (31 December 2007: 45%) based on actuarial liability reserve of S\$9.0 billion (31 December 2007: S\$8.5 billion).

Dividend

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

The principal activities of the Group are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness, personal accident), and property and casualty. Risks inherent in the Group's activities include but are not limited to the following:

Insurance Risk

Insurance risks arise when we underwrite insurance contracts. A mis-estimation of the assumptions used in pricing the insurance products as well as subsequent setting of the technical provisions may give rise to potential shortfalls when actual experience is different from expected experience. Sources of assumptions affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses.

The Group utilises reinsurance to manage the mortality and morbidity risks. The Group's reinsurance management strategy and policy are reviewed annually by RIC and SMT. Reinsurance structures are set based on the type of risk. Retention limits for mortality risk per life are limited to a maximum of \$700,000 in Singapore and RM350,000 in Malaysia. Retention limits for critical illness per life are limited to a maximum of \$400,000 in Singapore and RM250,000 in Malaysia. Catastrophe reinsurance is procured to limit catastrophic losses. The Group's exposure to group insurance business is not significant, thus there is no material concentration in insurance risk.

Only reinsurers meeting a minimum credit rating of S&P A- are considered when deciding on which reinsurers to reinsure our risk. The Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

SMT reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

Insurance risk of Life insurance contract

A substantial portion of the Group's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

For investment-linked funds, the risk exposure for the Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns, mortality/morbidity patterns and lapse rates.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

Insurance risk of Life insurance contract (continued)

TABLE 32(A): The table below sets out the concentration of the life insurance risk as at the balance sheet date:

(i) by Class of business:

In Singapore Dollars (millions)	Life Assurance	
	As at 31 December 2008 Insurance liabilities	As at 31 December 2007 Insurance liabilities
Whole life	14,618.4	16,200.5
Endowment	14,261.8	14,069.1
Term	452.3	437.4
Accident and health	494.3	438.0
Annuity	627.2	611.4
Others	1,294.8	1,085.5
Total	31,748.8	32,841.9

(ii) by Country:

In Singapore Dollars (millions)	Life Assurance	
	As at 31 December 2008 Insurance liabilities	As at 31 December 2007 Insurance liabilities
Singapore	20,430.9	21,887.6
Malaysia	11,162.3	10,797.7
Others	155.6	156.6
Total	31,748.8	32,841.9

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the profit and loss statement.

Sensitivity analysis produced are based on parameters set out as follows:

	Change in assumptions
(a) Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b) Scenario 2 – Mortality and Major Illness	- 25% for all future years
(c) Scenario 3 – Health and Disability	+ 25% for all future years
(d) Scenario 4 – Health and Disability	- 25% for all future years
(e) Scenario 5 – Lapse and Surrender rates	+ 25% for all future years
(f) Scenario 6 – Lapse and Surrender rates	- 25% for all future years
(g) Scenario 7 – Expenses	+ 30% for all future years

TABLE 32(B1): Profit / (Loss) After Tax and Shareholders' Equity sensitivity for the Singapore segment:

Impact on 1-year's profit / (loss) after tax and Shareholders' Equity

In Singapore Dollars (millions)	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2008							
Gross impact	(15.7)	(30.8)	82.1	(106.5)	26.7	(35.9)	(19.6)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(15.7)	(30.8)	82.1	(106.5)	26.7	(35.9)	(19.6)

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

Insurance risk of Life insurance contract (continued)

TABLE 32(B1): Profit / (Loss) After Tax and Shareholders' Equity sensitivity for the Singapore segment (continued):

Impact on 1-year's profit / (loss) after tax and Shareholders' Equity (continued)

In Singapore Dollars (millions)	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
<u>2007</u>							
Gross impact	(4.2)	(46.1)	109.9	(138.6)	25.9	(37.0)	(20.6)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(4.2)	(46.1)	109.9	(138.6)	25.9	(37.0)	(20.6)

TABLE 32(B2): Profit / (Loss) After Tax and Shareholders' Equity sensitivity for the Malaysia segment:

Impact on 1-year's profit / (loss) after tax and shareholders' equity

In Singapore Dollars (millions)	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
<u>2008</u>							
Gross impact	-	-	-	-	-	-	-
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	-	-	-	-	-	-	-
<u>2007</u>							
Gross impact	-	-	-	-	-	-	-
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	-	-	-	-	-	-	-

The impact on profit and loss after tax above does not take into account of changes in other variables. Impact of interest rate on liability is tested concurrently with assets and impact of other variables is considered to be not material. Such assessment and the relative materiality of individual variables may change in the future.

The sensitivity testing on the Malaysia segment was performed by applying the sensitivities to the best estimate assumptions used in the Liability Adequacy Test. The resulting reserves from the Liabilities Adequacy Test were compared to the minimum policy liabilities prescribed by regulator and any shortfall would be charged to revenue accounts. The Liabilities Adequacy Test reserves derived under all scenarios are still lower than the minimum policy liability prescribed by the regulator; therefore should not have any impact on profits.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

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

Insurance risk of non-life insurance contract

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Note 15 and 16 of the financial statements. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

Insurance risk of non-life insurance contract (continued)

TABLE 32(C1): The table below sets out the concentration of the non-life insurance risk as at the balance sheet date:

(i) **by Class of business:**

in Singapore Dollars (millions)	Non-life Insurance Contract			
	As at 31 December 2008		As at 31 December 2007	
	Net premium liabilities	Net claims liabilities	Net premium liabilities	Net claims liabilities
Fire	7.1	3.2	6.7	4.0
Motor	10.9	27.9	9.4	30.1
Marine & aviation	0.4	0.8	0.3	0.9
Workmen's compensation	3.1	6.4	2.9	6.6
Personal accident & health	16.7	4.5	12.9	4.2
Miscellaneous	4.9	6.1	5.1	8.5
Total	43.1	48.9	37.3	54.3

(ii) **by Country:**

in Singapore Dollars (millions)	Non-life Insurance Contract			
	As at 31 December 2008		As at 31 December 2007	
	Net premium liabilities	Net claims liabilities	Net premium liabilities	Net claims liabilities
Singapore	20.9	17.1	17.4	14.4
Malaysia	22.2	31.8	19.9	39.9
Total	43.1	48.9	37.3	54.3

Non-life insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

Insurance risk of non-life insurance contract (continued)

TABLE 32(C2): The table below shows the cumulative claims estimates at each balance sheet date, together with cumulative payments to date:

In Singapore Dollars (millions)	Before 2004	2004	2005	2006	2007	2008	Total
Estimate of cumulative claims							
Accident Year	137.0	28.5	28.1	31.0	33.7	39.4	
One year later	75.0	24.2	24.7	27.4	31.1	–	
Two years later	68.7	20.8	21.3	23.9	–	–	
Three years later	65.5	19.4	19.8	–	–	–	
Four years later	63.5	18.4	–	–	–	–	
Five years later	61.7	–	–	–	–	–	
Estimate of cumulative claims	471.4	111.3	93.9	82.3	64.8	39.4	
Current estimate of cumulative claims	61.7	18.4	19.8	23.9	31.1	39.4	
Estimate of cumulative payments							
Accident Year	51.3	10.8	11.2	12.7	13.6	17.2	
One year later	50.5	16.4	17.6	19.9	22.7	–	
Two years later	50.7	16.1	16.5	19.3	–	–	
Three years later	51.9	16.2	16.7	–	–	–	
Four years later	52.3	16.3	–	–	–	–	
Five years later	53.2	–	–	–	–	–	
Estimate of cumulative payments	309.9	75.8	62.0	51.9	36.3	17.2	
Current estimate of cumulative payments	53.2	16.3	16.7	19.3	22.7	17.2	
Total non-life net claim liabilities	8.5	2.1	3.1	4.6	8.4	22.2	48.9

Market and Credit Risk

Market risk arises when the market values of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

The Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the asset and liability of the Insurance Funds. As for the funds managed by Lion Global Investors, investment risks are borne by investors and the Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

Group ALC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates; volatility in equity price; as well as other risks like credit and liquidity risks are briefly described as follows:

- (a) **Interest rate risk (including asset liability mismatch).** The Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund have exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by Group ALC and the local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

With the use of the Long Term Risk Free Discount Rate ("LTRFDR") formulated under the Singapore Regulations governed by the Monetary Authority of Singapore to discount liability cash flows with duration more than 15 years, the Singapore non-participating funds could have negative earnings impact when the LTRFDR decreases. The management of asset liability mismatch is guided by the Asset-Liability Management Framework.

- (b) **Foreign currency risk.** Hedging through currency forwards and swaps is typically used for the fixed income portfolio. Internal limits on foreign exchange exposure ranging from 15% to 35% are applied to investments in fixed income portfolios at a fund level. Currency risk derived from investments in foreign equities is generally not hedged.

The Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major item for the Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by Bank Negara, Malaysia. The Group does not hedge against this exposure.

TABLE 32(D): The tables below show the foreign exchange position of the Group's financial assets and liabilities by major currencies:

In Singapore Dollars (millions)	SGD	RM	USD	Others	Total
As at 31 December 2008					
FINANCIAL ASSETS					
Available-for-sale securities					
Equity securities	1,288.0	2,287.2	410.9	1,085.4	5,071.5
Debt securities	9,046.5	9,824.4	1,960.1	752.0	21,583.0
Other investments	246.2	10.5	914.3	594.4	1,765.4
Securities at fair value through profit or loss					
Equity securities	120.9	223.4	195.2	545.7	1,085.2
Debt securities	36.8	212.9	365.6	273.8	889.1
Other investments	376.6	9.4	37.4	46.7	470.1
Derivatives	2,840.6	2.4	(2,066.7)	(501.7)	274.6
Embedded derivatives	588.5	12.5	30.0	25.1	656.1
Loans	2,108.7	1,679.3	2.3	19.2	3,809.5
Reinsurance assets	33.4	33.2	–	0.1	66.7
Outstanding premiums	69.1	106.7	0.4	1.0	177.2
Other debtors and interfund balances	1,514.0	246.6	–	0.7	1,761.3
Cash and cash equivalents	2,649.3	1,118.6	77.1	185.4	4,030.4
	20,918.6	15,767.1	1,926.6	3,027.8	41,640.1
FINANCIAL LIABILITIES					
Other creditors and interfund balances	1,686.1	344.1	–	6.7	2,036.9
Reinsurance liabilities	51.2	24.1	–	0.3	75.6
Unexpired risk reserve	60.4	6.7	–	–	67.1
Policy benefits	814.6	1,024.8	–	0.2	1,839.6
Claims admitted or intimated	55.1	120.2	1.8	1.3	178.4
Agents' retirement benefits	1.4	181.8	–	–	183.2
General insurance fund contract liabilities	42.1	57.1	–	–	99.2
Life assurance fund contract liabilities	20,231.4	10,662.5	57.6	797.3	31,748.8
	22,942.3	12,421.3	59.4	805.8	36,228.8

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(b) Foreign currency risk (continued)

TABLE 32(D): The tables below show the foreign exchange position of the Group's financial assets and liabilities by major currencies (continued):

In Singapore Dollars (millions)	SGD	RM	USD	Others	Total
<u>As at 31 December 2007</u>					
FINANCIAL ASSETS					
Available-for-sale securities					
Equity securities	2,491.4	3,405.4	646.3	1,953.7	8,496.8
Debt securities	9,415.6	9,215.0	1,903.0	1,004.5	21,538.1
Other investments	316.2	16.5	795.1	275.0	1,402.8
Securities at fair value through profit or loss					
Equity securities	193.5	326.5	418.0	774.5	1,712.5
Debt securities	74.7	86.2	237.5	238.5	636.9
Other investments	648.9	15.4	76.3	66.6	807.2
Derivatives	2,929.6	2.5	(2,131.0)	(672.9)	128.2
Embedded derivatives	1,016.9	37.9	216.4	–	1,271.2
Loans	1,787.0	1,659.4	19.0	3.8	3,469.2
Reinsurance assets	40.6	38.3	–	0.1	79.0
Outstanding premiums	79.1	89.5	–	0.1	168.7
Other debtors and interfund balances	970.1	395.5	–	0.2	1,365.8
Cash and cash equivalents	1,589.5	853.3	204.8	120.7	2,768.3
	21,553.1	16,141.4	2,385.4	3,764.8	43,844.7
FINANCIAL LIABILITIES					
Other creditors and interfund balances	992.2	450.7	–	1.0	1,443.9
Reinsurance liabilities	33.3	34.3	–	0.2	67.8
Unexpired risk reserve	26.6	33.1	–	–	59.7
Policy benefits	791.9	853.2	–	0.1	1,645.2
Claims admitted or intimated	44.3	119.2	0.5	1.3	165.3
Agents' retirement benefits	1.4	182.2	–	–	183.6
General insurance fund contract liabilities	38.9	62.3	–	–	101.2
Life assurance fund contract liabilities	21,642.0	10,797.7	140.1	262.1	32,841.9
	23,570.6	12,532.7	140.6	264.7	36,508.6

The Group has no significant concentration of foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

- (c) **Equity price risk.** Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Group, through investments in both Shareholders' Funds and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. A robust monitoring process is in place to manage equity risk by activating appropriate hedging and risk transfer strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.
- (d) **Credit spread risk.** Exposure to credit spread risk exists in the Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of the Group's bond portfolio.
- (e) **Alternative investment risk.** The Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by the appropriate committee based on an authority matrix approved by the Board of Directors.
- (f) **Commodity risk.** The Group does not have a direct or significant exposure to commodity risk.
- (g) **Cash flow and liquidity risk.** Cash flow and liquidity risk arises when a company is unable to meet its obligations at reasonable cost when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk (continued)

TABLE 32(E): The following tables show the maturity profile of the Group's liabilities and the expected recovery or settlement of assets:

In Singapore Dollars (millions)	< 1 Year	1 – 5 Years	> 5 Years	Unit-linked	Total
As at 31 December 2008					
LIABILITIES					
Income tax	166.7	–	–	–	166.7
Other creditors and interfund balances	1,676.9	70.5	289.5	–	2,036.9
Reinsurance liabilities	41.5	24.8	9.3	–	75.6
Unexpired risk reserve	60.4	6.7	–	–	67.1
Policy benefits	1,825.1	12.6	1.9	–	1,839.6
Claims admitted or intimated	175.1	3.2	0.1	–	178.4
Agents' retirement benefits	181.8	–	1.4	–	183.2
Deferred tax	–	89.4	397.3	–	486.7
Amounts due to subsidiaries, associated and joint venture companies	0.5	–	–	–	0.5
General insurance fund contract liabilities	89.3	9.9	–	–	99.2
Life assurance fund contract liabilities	2,432.5	5,518.2	21,070.5	2,727.6	31,748.8
	6,649.8	5,735.3	21,770.0	2,727.6	36,882.7

In Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
As at 31 December 2008				
ASSETS				
Cash and cash equivalents	3,845.1	–	185.3	4,030.4
Other debtors and interfund balances	594.2	1,122.3	44.8	1,761.3
Outstanding premiums	177.1	0.1	–	177.2
Reinsurance assets	35.8	30.9	–	66.7
Deferred tax	–	22.1	–	22.1
Loans	2,411.4	1,398.1	–	3,809.5
Investments	9,481.6	20,159.0	2,154.4	31,795.0
Associates and joint ventures	–	455.1	–	455.1
Amounts due from subsidiaries, associated and joint venture companies	5.7	–	–	5.7
Goodwill	–	25.5	–	25.5
Property, plant and equipment	–	804.2	–	804.2
Investment properties	–	1,073.5	–	1,073.5
	16,550.9	25,090.8	2,384.5	44,026.2

* expected recovery or settlement within 12 months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk (continued)

TABLE 32(E): The following tables show the maturity profile of the Group's liabilities and the expected recovery or settlement of assets (continued):

In Singapore Dollars (millions)	< 1 Year	1 – 5 Years	> 5 Years	Unit-linked	Total
<u>As at 31 December 2007</u>					
LIABILITIES					
Income tax	259.3	–	–	–	259.3
Other creditors and interfund balances	971.8	75.5	396.6	–	1,443.9
Reinsurance liabilities	27.7	35.4	4.7	–	67.8
Unexpired risk reserve	53.7	6.0	–	–	59.7
Policy benefits	1,626.9	14.6	3.7	–	1,645.2
Claims admitted or intimated	162.9	2.1	0.3	–	165.3
Agents' retirement benefits	33.9	148.3	1.4	–	183.6
Deferred tax	–	284.0	735.1	–	1,019.1
General insurance fund contract liabilities	91.1	10.1	–	–	101.2
Life assurance fund contract liabilities	1,788.2	5,145.8	22,150.2	3,757.7	32,841.9
	5,015.5	5,721.8	23,292.0	3,757.7	37,787.0

In Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
<u>As at 31 December 2007</u>				
ASSETS				
Cash and cash equivalents	2,500.2	–	268.1	2,768.3
Other debtors and interfund balances	892.6	438.4	34.8	1,365.8
Outstanding premiums	168.1	0.6	–	168.7
Reinsurance assets	53.0	26.0	–	79.0
Loans	967.4	2,501.8	–	3,469.2
Investments	12,261.1	20,123.4	3,609.2	35,993.7
Associates and joint ventures	–	581.9	–	581.9
Amount due from subsidiaries, associated and joint venture companies	66.3	–	–	66.3
Goodwill	–	25.5	–	25.5
Property, plant and equipment	–	818.7	–	818.7
Investment properties	–	1,178.3	–	1,178.3
	16,908.7	25,694.6	3,912.1	46,515.4

* expected recovery or settlement within 12 months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk (continued)

Derivative contracts are generally used by the Group for hedging interest rate, currency and equity risk exposures. These contracts are marked to market at the end of each reporting month. Derivatives at year-end are:

In Singapore Dollars (millions)		Notional Principal	Held as Assets	Held as Liabilities
As at 31 December 2008				
Foreign exchange:	Forwards	1,941.3	30.0	(6.5)
	Currency swaps	1,248.2	66.1	(4.1)
Interest rates:	Swaps	2,854.2	213.2	(29.2)
	Swaptions	6.1	–	(0.3)
	Options	0.7	–	–
	Exchange traded futures	1,564.0	5.4	(0.6)
Equity:	Futures	19.4	0.3	(0.3)
	Options	24.7	0.6	–
		7,658.6	315.6	(41.0)
As at 31 December 2007				
Foreign exchange:	Forwards	2,859.6	26.1	(0.2)
	Currency swaps	1,019.7	111.9	–
Interest rates:	Swaps	1,967.8	6.3	(20.4)
	Swaptions	7.4	–	(0.1)
	Options	2.2	0.4	(0.1)
	Exchange traded futures	1,091.3	2.6	(1.7)
Equity:	Futures	141.5	1.0	(0.1)
	Options	24.7	2.5	–
	7,114.2	150.8	(22.6)	

The fair value of derivatives showed above represents the current risk exposure but not the maximum risk exposure that would arise in the future as a result of the changes in value.

- (h) **Credit risk.** The Group is exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivatives transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in bonds, financial loss may also materialise as a result of the widening of credit spread or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local CRCs which in turn report to the local ALCs. Group wide credit risk is managed by Group ALC. The Group has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The loans in the Group's portfolio are generally secured by collateral, with a maximum loan to value of 70% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. The fair value of collaterals, held by the Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

In Singapore Dollars (millions)	Type of Collaterals	Carrying Amounts of Loans	Fair Value of Collaterals
As at 31 December 2008			
Secured loans	Properties	1,511.2	3,577.4
	Shares	73.4	187.4
	Bankers' guarantees	26.3	26.3
	Others	3.8	6.5
	Cash value of policies	2,178.5	4,154.4
		3,793.2	7,952.0
As at 31 December 2007			
Secured loans	Properties	1,044.1	2,587.8
	Shares	215.1	520.2
	Bankers' guarantees	33.7	33.7
	Others	4.0	7.5
	Cash value of policies	2,100.9	4,220.9
		3,397.8	7,370.1
Policy loans			

Investments lent and collaterals received under securities lending arrangements amounted to \$110.0 million and \$116.4 million respectively as at 31 December 2008 (2007: \$529.0 million and \$546.9 million respectively).

As at the balance sheet date, no investments (2007: \$15.4 million) were placed as collateral for currency hedging purposes.

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

The tables below show the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For derivatives, the fair value shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in value. The tables also provide information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

In Singapore Dollars (millions)	Neither past-due nor impaired						Total
	Investment Grade* (BBB to AAA)	Investment Grade* (C to BB)	Not Rated	Unit-linked	Not subject to credit risk	Past due or impaired	
As at 31 December 2008							
Available-for-sale securities							
Equity securities	-	-	-	-	5,071.5	-	5,071.5
Debt securities	18,909.6	770.3	1,903.1	-	-	-	21,583.0
Other investments	-	-	-	-	1,765.4	-	1,765.4
Securities at fair value through profit or loss							
Equity securities	-	-	-	1,085.2	-	-	1,085.2
Debt securities	(6.9)	-	-	896.0	-	-	889.1
Other investments	-	-	-	470.1	-	-	470.1
Derivatives	13.6	-	269.6	(8.9)	0.3	-	274.6
Embedded derivatives	390.4	61.2	(274.0)	472.4	6.1	-	656.1
Loans	-	-	3,809.4	-	-	0.1	3,809.5
Deferred tax	-	-	22.1	-	-	-	22.1
Reinsurance assets	-	-	33.2	-	-	33.5	66.7
Outstanding premiums	-	-	103.8	-	-	73.4	177.2
Other debtors and interfund balances	-	-	1,430.1	44.8	-	286.4	1,761.3
Cash and cash equivalents	3,722.3	-	122.7	185.4	-	-	4,030.4
	23,029.0	831.5	7,420.0	3,145.0	6,843.3	393.4	41,662.2

* Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

In Singapore Dollars (millions)	Neither past-due nor impaired						Total
	Investment Grade* (BBB to AAA)	Non Investment Grade* (C to BB)	Not Rated	Unit-linked	Not subject to credit risk	Past due or impaired	
<u>As at 31 December 2007</u>							
Available-for-sale securities							
Equity securities	–	–	–	–	8,496.8	–	8,496.8
Debt securities	19,614.6	164.1	1,759.4	–	–	–	21,538.1
Other investments	–	–	–	–	1,402.8	–	1,402.8
Securities at fair value through profit or loss							
Equity securities	–	–	–	1,712.5	–	–	1,712.5
Debt securities	0.4	0.1	17.8	618.6	–	–	636.9
Other investments	–	–	–	807.2	–	–	807.2
Derivatives	–	–	129.6	(1.4)	–	–	128.2
Embedded derivatives	466.0	21.8	311.1	472.3	–	–	1,271.2
Loans	–	–	3,469.2	–	–	–	3,469.2
Reinsurance assets	–	–	38.9	–	–	40.1	79.0
Outstanding premiums	–	–	90.2	–	–	78.5	168.7
Other debtors and interfund balances	–	–	1,231.2	34.8	–	99.8	1,365.8
Cash and cash equivalents	2,489.1	3.4	7.7	268.1	–	–	2,768.3
	22,570.1	189.4	7,055.1	3,912.1	9,899.6	218.4	43,844.7

* Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(h) Credit Risk (continued)

Age analysis of financial assets past-due:

As at 31 December 2008

In Singapore Dollars (millions)	Past due but not impaired			Total	Past due and impaired	Total
	< 6 months	6 months to 12 months	> 12 months			
Unsecured loans	–	–	0.1	0.1	–	0.1
Reinsurance assets	2.6	–	30.9	33.5	–	33.5
Outstanding premiums	70.2	2.9	0.4	73.5	–	73.5
Other debtors and interfund balances	281.4	2.6	2.4	286.4	–	286.4
	354.2	5.5	33.8	393.5	–	393.5

As at 31 December 2007

In Singapore Dollars (millions)	Past due but not impaired			Total	Past due and impaired	Total
	< 6 months	6 months to 12 months	> 12 months			
Reinsurance assets	14.1	–	26.0	40.1	–	40.1
Outstanding premiums	77.2	0.7	0.6	78.5	–	78.5
Other debtors and interfund balances	39.4	59.3	1.1	99.8	–	99.8
	130.7	60.0	27.7	218.4	–	218.4

For assets to be classified as “past due and impaired” contractual payments must be in arrears for more than 90 days.

- (i) **Concentration risk.** An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. The Group’s exposures are within the concentration limits set by the respective local regulators.

The Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and / or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the Profit and Loss Statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Funds.

Market risk sensitivity analysis:

in Singapore Dollars (millions)	Impact on Profit After Tax		Impact on Equity	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
<u>Change in variables:</u>				
(a) <u>Interest Rate</u>				
+ 100 basis points	(197.5)	(95.5)	(238.0)	(125.6)
- 100 basis points	188.7	92.6	229.2	122.8
(b) <u>LTRFDR⁽¹⁾</u>				
+ 10 basis points	35.0	32.0	35.0	32.0
- 10 basis points	(35.0)	(32.0)	(35.0)	(32.0)
(c) <u>Foreign Currency</u>				
5% increase in market value of foreign currency denominated assets	10.7	15.4	20.9	31.6
5% decrease in market value of foreign currency denominated assets	(10.7)	(15.4)	(20.9)	(31.6)
(d) <u>Equity</u>				
20% increase in market value of all equities	27.9	24.8	99.2	157.4
20% decrease in market value of all equities	(31.4)	(24.8)	(102.8)	(157.4)
(e) <u>Credit</u>				
Spread + 100 basis points	(100.9)	(79.5)	(114.8)	(93.6)
Spread - 100 basis points	100.9	79.5	114.8	93.6
(f) <u>Alternative Investments⁽²⁾</u>				
10% increase in market value of all alternative investments	6.2	7.0	17.1	19.2
10% decrease in market value of all alternative investments	(6.2)	(7.0)	(17.1)	(19.2)

⁽¹⁾ LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.

⁽²⁾ Alternative Investments comprise investments in real estate and hedge funds.

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

NOTES TO THE FINANCIAL STATEMENTS

32 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Business and Operational Risk

Based on the Group's ERM Framework, Business and Operational Risks have been grouped into five main categories:

- (a) **Business risk** include failure of business strategy, failure of product design, development and pricing strategy, failure of marketing and communication strategy, and market misconduct.
- (b) **Operational risk – external events** include changes in regulatory requirements, liability and legal disputes, fraud, business interruption, failure of outsourced service providers and vendors, and damage to property and environment.
- (c) **Operational risk – processes** include failure of control processes and procedures, expense and cost overrun, and project failure.
- (d) **Operational risk – systems** include failure of systems availability, capacity, utilisation and IT infrastructure and failure of systems security.
- (e) **Operational risk – people** include lagging customer service quality, lack of core competencies, lack of succession of key positions and fiduciary risk.

The day-to-day management of business and operational risk is through the maintenance of a comprehensive system of internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMT reviews business and operational issues on a group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. The Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to the Audit Committee.

33 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

33.1 The following table shows financial assets recorded at fair value analysed between those whose fair value is based on quoted market prices and those involving valuation techniques where all significant model inputs are observable in the market.

Fair values of financial assets:

In Singapore Dollars (millions)	Quoted	Valuation	Total
	Market Price	techniques – market observable inputs	
	2008	2008	2008
Financial assets			
Financial assets held for trading	67.5	863.2	930.7
Financial assets designated at fair value through profit or loss	2,411.4	33.0	2,444.4
Financial assets available-for-sale	25,255.1	3,164.8	28,419.9
	<u>27,734.0</u>	<u>4,061.0</u>	<u>31,795.0</u>

Included in the quoted market price category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained from counterparties and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

NOTES TO THE FINANCIAL STATEMENTS

33 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

33.2 The carrying amounts of the Group's and the Company's financial assets and liabilities approximate their fair value, except as disclosed below:

in Singapore Dollars (millions)	Note	Group		Company	
		2008	2007	2008	2007
Available-for-sale financial assets					
Unquoted equity securities	21	113.5	117.7	–	–
Collective investment schemes	21	905.6	574.7	–	–
		1,019.1	692.4	–	–

It is not practicable to determine the fair values of the above unquoted equity investments and collective investment schemes because of the lack of unquoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined. However, the cash flows from these investments are expected to be in excess of their carrying amounts.

34 DIVIDENDS

in Singapore Dollars (millions)	Group and Company	
	2008	2007
Final tax exempt (one-tier) dividend for previous year of 16 cents per ordinary share (2007: 20 cents per ordinary share, net of Singapore income tax at 18%)	75.7	77.6
Special final tax exempt (one-tier) dividend for previous year of 26 cents per ordinary share (2007: 28 cents per ordinary share, net of Singapore income tax at 18%)	123.1	108.7
First interim tax exempt (one-tier) dividend of 10 cents per ordinary share (2007: 0.655 cents per ordinary share, net of Singapore income tax at 18% and 21.345 cents per ordinary share, net of Malaysia income tax at 27%)	47.3	76.3
	246.1	262.6

The Directors proposed that a final tax exempt (one-tier) dividend of 16 cents per ordinary share amounting to \$75.7 million (2007: \$198.8 million) be paid in respect of the financial year ended 31 December 2008. These have not been recognised as distributions to shareholders.

There are no income tax consequences attached to the dividend to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

35 EVENTS AFTER BALANCE SHEET DATE

The Singapore corporate tax rate, as announced on 22 January 2009, is reduced from 18% to 17% with effect from Year of Assessment 2010. This is considered as a non-adjusting subsequent event and the financial effects of the reduced tax rates will be reflected in the financial year ending 31 December 2009.

The Group's deferred tax provision has been computed based on the year-end prevailing Singapore corporate tax rate of 18%. In view of the above, applying the reduced rate of 17% for Singapore, the Group's deferred tax liability would be reduced by \$3.1 million to \$461.5 million.

NOTES TO THE FINANCIAL STATEMENTS

36 AUTHORISATION OF FINANCIAL STATEMENTS

At the Board of Directors' Meeting held on 17 February 2009, the Board authorised these financial statements for issue and that two Directors of the Board, Mrs Fang Ai Lian and Mr Ng Keng Hooi, sign the Directors' Report on behalf of the Board.

37 COMPARATIVE FIGURES

Amounts due from joint ventures of \$66.3 million was reclassified from investments as it met the recognition criteria.

in Singapore Dollars (millions)	Note	Group – 2007		
		Life Assurance Fund		
		As restated	As previously reported	Increase / (decrease)
Balance Sheet				
Investments	21	35,993.7	36,060.0	(66.3)
Amounts due from subsidiaries, associates and joint ventures	24	66.3	–	66.3

LIST OF MAJOR PROPERTIES

SINGAPORE PROPERTIES – 100% HELD BY THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED:

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
Great Eastern Centre 1 Pickering Street	99 years leasehold (Commenced date: 1 September 1997)	6,600	21,515 (strata area)	Commercial – Offices
Orchard Emerald 202 & 218 Orchard Road	Freehold	1,444	6,034	Commercial – Retail & Offices
Great Eastern @ Changi 200 Changi Road	Freehold	3,503	10,891	Commercial – Offices
Great Eastern House 49 Beach Road	999 years leasehold (Expiry date: 29 January 2834)	730	3,334	Commercial – Offices
Holland GEMS 1, 3 & 5 Taman Nakhoda	Freehold	8,685	13,895	Residential – 64-unit condominium
Gallop Court 6, 6A, 6B Gallop Road	Freehold	8,225	5,565	Residential – 25-unit condominium
Gallop Gardens 1, 1A, 1B, 1C, 3, 3A, 3B, 3C Tyersall Road	Freehold	12,636	4,805	Residential – 8-unit-Good Class Bungalows
Newton GEMS 50, 52 & 54 Newton Road	Freehold	2,809	28,819	Residential – 190-unit condominium
Lot 660 TS 28, Newton Road and Lot 56 TS 28, Lincoln Road	999 years leasehold (Expiry date: 12 February 2884)	6,945		
3 Pickering Street	99 years leasehold	7,086	19,220 (strata area)	Commercial – Retail & Offices 65-unit shop houses

LIST OF MAJOR PROPERTIES

MALAYSIA PROPERTIES - 100% HELD BY GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD:

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
Menara Great Eastern Life Lots 102 & 103 Kuala Lumpur, Federal Territory	Freehold	25,600	149,464	Commercial – Retail and Offices
40, 44, 50 & 68 Jln Ampang Kuala Lumpur, Federal Territory	Freehold	2,880	10,673	Commercial – Offices
Seri Hening Residence 28, Jln Ampang Hilir, K.Lumpur	Freehold	21,484	53,111	Residential – Condominiums
Houses at Port Dickson – Suara Ombak, Shell Garden and Shell Drive Negeri Sembilan	Freehold	30,899	3,871	Residential
Wisma Great Eastern Life Jalan Gaya, Kota Kinabalu, Sabah	99 years leasehold (Expiry date: 31 December 2093)	718	8,853	Commercial – Offices
25, Lebu Light, Penang	Freehold	4,842	14,629	Commercial – Offices
No. 103, 105, 107 & 109 Jalan Yam Tuan, Seremban Negeri Sembilan	Freehold	980	5,821	Commercial – 5-storey Retail & Offices
Lot Q169-Q173 Plz Mahkota Melaka	99 years leasehold (Expiry date: 18 July 2101)	531	2,127	Commercial – 4-storey Retail & Offices
25 Jalan Dato Lim Hoe Lek Kuantan	99 years leasehold (Expiry date: 2 September 2093)	507	1,525	Commercial – 3-storey Shop Offices
Menara Weld / The Weld 76 Jln Raja Chulan, Kuala Lumpur	Freehold	6,404	75,126	Commercial – 30-storey building with a 4 levels basement, 5 levels of shopping & 26 floors of office

LIST OF MAJOR PROPERTIES

MALAYSIA PROPERTIES – 100% HELD BY GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD: (continued)

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
113, Jalan Tun Haji Openg, Kuching, Sarawak	837 years leasehold (Expiry date: 31 December 2774)	3,359	335	Residential – 1 storey detached house
313, Lot 3956, Phase 4, Bintulu Parkcity Commerce, Bintulu, Sarawak	60 years leasehold (Title pending)	232	622	Commercial – 3 storey Shop Office
Nos. 10a to 10i, Jln Brooks Drive Sibu, Sarawak	Leasehold (Expiry date: 31 December 2923)	1,015	3,850	9 units of 4-storey shophouses

INDONESIA PROPERTIES – 100% HELD BY P.T. GREAT EASTERN LIFE INDONESIA:

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
Menara Karya Building Jl.HR.Rasuna Said Blok X-5, Kav. 1-2 Setiabudi Kuningan, Jakarta Selatan 12950	Freehold	6,109	1,318	Commercial – Offices

SHAREHOLDING STATISTICS

AS AT 2 MARCH 2009

Total Number of Issued Shares : 473,319,069 shares
 Class of Shares : Ordinary shares
 Voting Rights : The Articles of Association provide for:
 (a) on a show of hands: 1 vote
 (b) on a poll: 1 vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 999	44	4.55	8,482	0.00
1,000 – 10,000	741	76.71	1,906,525	0.40
10,001 – 1,000,000	168	17.39	14,423,063	3.05
1,000,001 and above	13	1.35	456,980,999	96.55
Total	966	100.00	473,319,069	100.00

TWENTY LARGEST SHAREHOLDERS (ACCORDING TO THE REGISTER OF MEMBERS)

Shareholders (Members)	No. of Shares	%
1 Oversea-Chinese Bank Nominees Private Limited	402,680,489	85.08
2 DBS Nominees (Private) Limited	14,209,146	3.00
3 HSBC (Singapore) Nominees Private Limited	10,707,400	2.26
4 Eastern Realty Company Limited	9,425,619	1.99
5 Citibank Nominees Singapore Private Limited	3,770,135	0.80
6 Wong Hong Sun	3,151,500	0.67
7 Wong Hong Yen	3,090,668	0.65
8 Kuchai Development Berhad	3,032,000	0.64
9 Sungei Bagan Rubber Company (Malaya) Berhad	1,733,120	0.37
10 United Overseas Bank Nominees (Private) Limited	1,602,122	0.34
11 DBSN Services Private Limited	1,334,000	0.28
12 Shaw Vee Meng	1,208,000	0.25
13 Shaw Vee Foong	1,036,800	0.22
14 Lee Joo Har	829,508	0.18
15 Lee Hak Heng	728,150	0.15
16 Asia Chemical Corporation Sendirian Berhad	658,677	0.14
17 Merrill Lynch (Singapore) Private Limited	573,320	0.12
18 Yeap Holdings (Private) Limited	487,238	0.10
19 The Estate of Alan Loke (Deceased)	455,094	0.10
20 The Bank of East Asia (Nominees) Private Limited	447,000	0.09
Total	461,159,986	97.43

SHAREHOLDING STATISTICS

AS AT 2 MARCH 2009

SUBSTANTIAL SHAREHOLDER (ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 2 MARCH 2009)

	DIRECT INTEREST	DEEMED INTEREST	TOTAL INTEREST	Percentage of Issued Shares
	No. of Shares	No. of Shares	No. of Shares	
Oversea-Chinese Banking Corporation Limited ("OCBC Bank")	402,031,889 ⁽¹⁾	10,059,219 ⁽²⁾	412,091,108	87.06

Notes:

⁽¹⁾ Shares registered in the name of Oversea-Chinese Bank Nominees Private Limited

⁽²⁾ OCBC Bank is deemed to have an interest in 10,059,219 shares held by the following:

Name of Company	No. of Shares
Eastern Realty Company Limited	9,425,619
Singapore Building Corporation Limited (shares registered in the name of Oversea-Chinese Bank Nominees Private Limited)	633,600
Total deemed interest	10,059,219

Based on information available to the Company as at 2 March 2009, approximately 13% of the issued ordinary shares of the Company is held by the public, and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.

MANAGEMENT TEAM

SINGAPORE

Great Eastern Life Assurance Co Ltd

Ng Keng Hooi

Group Chief Executive Officer

Chiang Boon Kong

Managing Director, Group Human Capital

Ho Ming Heng

Managing Director, Operations & IT

Loh Sook Mee (Mrs)

Managing Director,
Finance and Corporate Affairs

Tan Ching Guei

Managing Director,
Strategy & Strategic Partnerships

Tan Hak Leh

Managing Director, Singapore

Khoo Kah Siang

Appointed Actuary

Elizabeth Teoh (Mrs)

Group Company Secretary and
Head, Group Secretariat and Legal (Corporate)

Ronnie Tan

Head, Group Risk Management

Dr Leow Yung Khee

Head, Group Insurance

Patrick Chen

Head, Operations (Business)

Ng Koh Wee

Head, Information Technology

Boon-Gek Mudeliar (Mrs)

Head, Corporate Communications

Ong Lean Wan

Head, Regional Business Development
(China)

Fabian Ng

Head, Regional Business Development
(Indonesia and Vietnam)

Ben Tan

Head, Customer Acquisition

Overseas Assurance Corporation Ltd

Tan Hak Leh

Managing Director, Singapore

Dr Leow Yung Khee

Head, General Insurance

Ho Lee Yen (Ms)

Head, Life Bancassurance

Lion Global Investors Ltd

Daniel Chan

Chief Executive Officer
& Chief Investment Officer

Janet Liem (Mrs)

Head, Asian Equities

Kon Chee Keat

Head, Global Fixed Income
& Structured Credits

James Tan

Head, Operations & Information Technology

Jennifer Wong Pakshong (Ms)

Head, Legal & Regulatory Affairs

Toh Lock Lan (Mrs)

Head, Business Development – Retail

Patricia Khoo (Mrs)

Acting Head, Business Development
– Institutional

MANAGEMENT TEAM

MALAYSIA

Great Eastern Capital (Malaysia) Sdn Bhd

Alex Foong

Chief Executive Officer

Great Eastern Life Assurance (Malaysia) Bhd

Koh Yaw Hui

Chief Executive Officer

Loke Kah Meng

Chief Marketing Officer

Bruce Lee

Head, Finance & Corporate Affairs

Cheong Soo Ching (Ms)

Head, Risk Management & Strategic Planning

Lee Pooi Hor

Head, Information Technology

Margaret Fong (Ms)

Head, Operations

Nancy Lim (Mrs)

Head, Human Capital

Sophia Ch'ng (Ms)

Appointed Actuary

Liza Hanim Binti Zainal Abidin (Ms)

Company Secretary

**Overseas Assurance Corporation
(Malaysia) Bhd**

Ng Kok Kheng

Chief Executive Officer

Liew Kim Loy

Executive Vice President, Operations

Cheam Tat Hoi

Executive Vice President, Finance &
Administration

CHINA

Great Eastern Life (China) Assurance Co Ltd

Zhang Xiaodong

General Manager

Beijing Representative Office

Huang Taoyuan

Chief Representative

INDONESIA

PT Great Eastern Life Indonesia

Tan Jiak Hiang

President Director

VIETNAM

Great Eastern Life (Vietnam) Co Ltd

Andrew Yeo

General Director

BRUNEI

Great Eastern Life Assurance Co Ltd

Helen Yeo (Mrs)

Vice President

GROUP NETWORK

SINGAPORE

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The Great Eastern Life Assurance Co Ltd
The Overseas Assurance Corporation Ltd

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(Malaysia) Bhd

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 Malaysia
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 Bandar Baru Klang
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 Fax: (60) (3) 3341 3398

Kluang

No. 22 & 24
 Jalan Md Lazim Saim
 86000 Kluang, Johor
 Malaysia
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Kota Bharu

No. S25 / 5252 – T&U
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Kuala Terengganu

2nd Floor, 6F
 Bangunan Persatuan Hin Ann
 Jalan Air Jernih
 20300 Kuala Terengganu
 Malaysia
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 Fax: (60) (9) 626 5195

Kuantan

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 Malaysia
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Kuching

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 87007 Wilayah Persekutuan Labuan
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 91100 Lahad Datu, Sabah
 Malaysia
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GROUP NETWORK

Limbang

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Melaka

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Miri

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Sarikei

Lot 1438, Block 36
1st Floor, Jalan Masjid
96100 Sarikei, Sarawak
Malaysia
Tel: (60) (84) 653 885
Fax: (60) (84) 653 884

Seremban

101 & 103 Jalan Yam Tuan
70000 Seremban
Negeri Sembilan
Malaysia
Tel: (60) (6) 763 6120
Fax: (60) (6) 763 1480

Sibu

No. 10 A-F, Wisma Great Eastern
Persiaran Brooke
96000 Sibu, Sarawak
Malaysia
Tel: (60) (84) 312 829
Fax: (60) (84) 333 925

Taiping

60 Jalan Barrack
34000 Taiping, Perak
Malaysia
Tel: (60) (5) 805 1021
Fax: (60) (5) 805 1023

Tawau

Ground Floor, Wisma Great Eastern
Jalan Billian, P.O. Box 773
91008 Tawau, Sabah
Malaysia
Tel: (60) (89) 771 322
Fax: (60) (89) 762 341

Overseas Assurance Corporation (Malaysia) Bhd

Level 18, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (60) (3) 4259 7888
Fax: (60) (3) 4813 2737
Website: www.oac.com.my
E-mail: enquiry@oac.com.my

Branch Offices

Alor Setar
1301 Ground Floor
Jalan Teluk Wanjah
05200 Alor Setar
Malaysia
Tel: (60) (4) 734 6515
Fax: (60) (4) 734 6516

Ipoh

26A, 26B & 26C
Persiaran Greentown 6
Greentown Business Centre
30450 Ipoh
Malaysia
Tel: (60) (5) 253 6649
Fax: (60) (5) 255 3066

Johor Bahru

Suite 13A-1, Level 13A
Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Malaysia
Tel: (60) (7) 3348 988
Fax: (60) (7) 3348 977

Kuala Lumpur

Level 18, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (60) (3) 4259 7888
Fax: (60) (3) 4813 0088

Klang

3rd Floor, No. 10 Jalan Tiara 2A
Bandar Baru Klang
41150 Klang
Malaysia
Tel: (60) (3) 3345 1027
Fax: (60) (3) 3345 1029

Kota Bharu

No. S25 / 5252-S Tingkat 1
Jalan Sultan Yahya Petra
15200 Kota Bharu
Malaysia
Tel: (60) (9) 748 2698
Fax: (60) (9) 744 8533

Kota Kinabalu

Suite 6.3, Level 6
Wisma Great Eastern Life
No. 65 Jalan Gaya
88000 Kota Kinabalu
Malaysia
Tel: (60) (88) 235 636
Fax: (60) (88) 248 879

GROUP NETWORK

Kuantan

No. 25, Jalan Dato' Lim Hoe Lek
25000 Kuantan
Malaysia
Tel: (60) (9) 516 2849
Fax: (60) (9) 516 2848

Kuching

Level 3 No. 51
Travilion Commercial Centre
Jalan Padungan
93100 Kuching
Malaysia
Tel: (60) (82) 420 197
Fax: (60) (82) 248 072

Melaka

No. 2.23, Jalan PM 15
Plaza Mahkota
75000 Melaka
Malaysia
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Fax: (60) (6) 283 5478

Penang

Suite 2-3 Level 2
Wisma Great Eastern
25 Lebu Light
10200 Penang
Malaysia
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Seremban

103-2 Jalan Yam Tuan
70000 Seremban
Malaysia
Tel: (60) (6) 764 9082
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INDONESIA

PT Great Eastern Life Indonesia

Menara Karya 5th Fl
Jl. H.R. Rasuna Said Blok X-5 Kav. 1-2
South Jakarta 12950
Indonesia
Tel: (62) (21) 2554 3888
Fax: (62) (21) 5794 4717
Website: www.lifeisgreat.co.id
E-mail: wecare@lifeisgreat.co.id

Syariah Unit

Menara Karya 5th Fl
Jl. H.R. Rasuna Said Blok X-5 Kav. 1-2
South Jakarta 12950
Indonesia
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Fax: (62) (21) 5794 4719
E-mail: syariah@lifeisgreat.co.id

Sales Offices

Bali

Ruko Melati, Jl. Melati No. 45,
Denpasar, Bali 80233
Indonesia
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Fax : (62) (361) 864 4755
E-mail : geldps@lifeisgreat.co.id

Bandung

Jl. Cikawao 51 D
Kelurahan Paledang
Bandung 40261
Indonesia
Tel: (62) (22) 421 1028
Fax: (62) (22) 421 8441
E-mail: gelbdg@lifeisgreat.co.id

Jakarta

Jl. Mampang Prapatan Raya No. 56B
South Jakarta 12790
Indonesia
Tel: (62) (21) 799 3017
Fax: (62) (21) 799 3002
E-mail: geljkt@lifeisgreat.co.id

Jambi

Jl. Gatot Subroto No. 8
Kel. Sungai Asam, Kec. Pasar Jambi
Jambi 36134
Indonesia
Tel: (62) (741) 24231
Fax: (62) (741) 31845
E-mail: geljmb@lifeisgreat.co.id

Makassar

Komplek Pelita Marga Mas
Blok C No. 8, Jl. G. Latimojong
Makassar 90153
Indonesia
Tel: (62) (411) 319 658
Fax: (62) (411) 319 836
E-mail: gelmks@lifesigreat.co.id

Medan

Jl. K.H Wahid Hasyim (Sei Wampu) No. 73-L
Medan 20119
Indonesia
Tel: (62) (61) 451 1710
Fax: (62) (61) 457 6721
E-mail: gelmdn@lifeisgreat.co.id

Palembang

Komplek Ruko Balayudha
Jl. Jend. Sudirman No. 6
Palembang, South Sumatera 30128
Indonesia
Tel: (62) (711) 411 098, 411 435
Fax: (62) (711) 413 595
E-mail: gelplb@lifeisgreat.co.id

Surabaya

Wisma Property 21 4th Fl
Jl. Dharmahasada No.115
Surabaya 60285
Indonesia
Tel: (62) (31) 599 7526, 599 3019
Fax: (62) (31) 599 7527
E-mail: gelsby@lifeisgreat.co.id

GROUP NETWORK

CHINA

Great Eastern Life Assurance (China) Co Ltd

50th Floor, Chongqing World Trade Centre
131 Zourong Road
Yuzhong District, Chongqing 400010
People's Republic of China
Tel: (86) (23) 6381 6666
Fax: (86) (23) 6388 5566
Website: www.lifeisgreat.com.cn
E-mail: gelc@lifeisgreat.com.cn

Chongqing Branch

2nd Floor, Xing He Gang Du Building
3, Zhi Gang Da Dao
Jiulong Po District, Chongqing 400050
People's Republic of China
Tel: (86) (23) 6805 9999
Fax: (86) (23) 6805 3166

Great Eastern Life Assurance Co Ltd – Beijing Representative Office

No. 26 North Yue Tan Street
Heng Hua International Business Centre
710A,
Beijing Xi Cheng District, Beijing 100045
People's Republic of China
Tel: (86) (10) 5856 5501
Fax: (86) (10) 5856 5502

VIETNAM

Great Eastern Life (Vietnam) Co Ltd

Unit 1, Level 4, International Centre
17 Ngo Quyen Street
Hoan Kiem District
Hanoi, Vietnam
Tel: (84) (4) 9 363 900
Fax: (84) (4) 9363 902
Website: www.lifeisgreat.com.vn
E-mail: wecare@lifeisgreat.com.vn

Hanoi Branch

Viet Tower
1 Thai Ha Street, Level 10 & 11
Dong Da
Hanoi, Vietnam
Tel: (84) (4) 3938 6767
Fax: (84) (4) 3938 6747

Ho Chi Minh City Branch

Mezzanine Floor, Tan Da Court
86 Tan Da Street, District 5
Ho Chi Minh City, Vietnam
Tel: (84) (8) 6256 3658
Fax: (84) (8) 6256 3689

BRUNEI

Great Eastern Life Assurance Co Ltd

Unit No. 17 & 18, Block B
Bangunan Habza
Kpg. Kiarong Mukim Gadong
Bandar Seri Begawan
Brunei Darussalam
Tel: (673) (2) 233 118
Fax: (673) (2) 238 118
Email: wecare@lifeisgreat.com.bn

Lion Global Investors Ltd

One George Street #08-01
Singapore 049145
Tel: (65) 6417 6800
Fax: (65) 6417 6801
Website: www.lookforLion.com
E-mail: contactus@lookforLion.com

NOTICE OF ANNUAL GENERAL MEETING GREAT EASTERN HOLDINGS LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE) (COMPANY REGISTRATION NO. 199903008M)

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Great Eastern Holdings Limited will be held at 1 Pickering Street #02-02, Great Eastern Centre, Singapore 048659 on Wednesday, 15 April 2009 at 3.00 pm for the following purposes:

AS ORDINARY BUSINESS

- 1 To receive and adopt the Directors' Report and the audited Financial Statements for the financial year ended 31 December 2008.
- 2 To approve a final one-tier tax exempt dividend of 16 cents per ordinary share in respect of the financial year ended 31 December 2008 as recommended by the Directors.
- 3
 - (a) To re-appoint pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Lee Seng Wee who will be retiring under Section 153 of the said Act, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.
 - (b) To re-elect the following Directors retiring by rotation under Article 91 of the Company's Articles of Association and who being eligible, offer themselves for re-election:
 - (i) Dr Cheong Choong Kong
 - (ii) Mr David Conner
 - (iii) Mr Lee Chien Shih
 - (c) To re-elect the following Directors retiring under Article 97 of the Company's Articles of Association and who being eligible, offer themselves for re-election:
 - (i) Mrs Fang Ai Lian
 - (ii) Mr Ng Keng Hooi

Note: Mrs Fang Ai Lian, upon her re-election as Director, will remain as a member of the Audit Committee and is considered an independent member of the Audit Committee.

- 4 To approve Directors' fees of \$1,071,000 for the financial year ended 31 December 2008 (2007: \$1,101,100).
- 5 To re-appoint Messrs Ernst & Young LLP as Auditors and authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

- 6 To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution to empower the Directors to issue shares in the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to the limits specified therein from the date of this Annual General Meeting up to the next Annual General Meeting.

Mandate to issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

- (a)
 - (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares in the capital of the Company excluding treasury shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
 - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
 - (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
- 7 To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution to empower the Directors to grant options under the Great Eastern Holdings Executives' Share Option Scheme and to allot and issue ordinary shares pursuant to the exercise of the options thereunder, provided that the aggregate number of ordinary shares to be issued does not exceed 10% of the total number of issued ordinary shares in the capital of the Company excluding treasury shares:

Mandate to grant share options and to issue ordinary shares arising

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Great Eastern Holdings Executives' Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided that the aggregate number of ordinary shares over which the Directors may grant options on any date, when added to the number of ordinary shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 10% of the total number of issued ordinary shares in the capital of the Company excluding treasury shares on the day preceding that date.

- 8 To transact any other ordinary business.

By Order of the Board

ELIZABETH TEOH

Secretary

Singapore
25 March 2009

EXPLANATORY NOTES**Ordinary Resolution in item 6**

The Ordinary Resolution set out in item 6 authorises the Directors of the Company from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares in the capital of the Company excluding treasury shares, with a sub-limit of 20% for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares in the capital of the Company excluding treasury shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this proposed Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this proposed Ordinary Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. For the avoidance of doubt, any consolidation or subdivision of shares in the capital of the Company will require shareholders' approval. The Directors will only issue shares under this Resolution if they consider it necessary and in the interests of the Company.

Ordinary Resolution in item 7

The Ordinary Resolution set out in item 7 authorises the Directors to offer and grant options in accordance with the provisions of the Great Eastern Holdings Executives' Share Option Scheme (the "Scheme") and to allot and issue ordinary shares under the Scheme, provided that the aggregate number of ordinary shares to be issued pursuant to the Scheme does not exceed 10% of the total number of issued ordinary shares in the capital of the Company excluding treasury shares.

Note: A member of the Company entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Company's registered office at 1 Pickering Street #16-01, Great Eastern Centre, Singapore 048659 not less than 48 hours before the time fixed for holding the Meeting.

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of the shareholders to the final dividend at the Annual General Meeting, the Share Transfer Books and the Register of Members of the Company will be closed on 24 April 2009 for the purpose of determining the entitlement of shareholders to the recommended final one-tier tax exempt dividend of 16 cents. Duly completed registrable transfers of shares received by the Company's Share Registrar, M & C Services Pte Ltd at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 up to 5.00 pm on 23 April 2009 will be registered to determine the shareholders' entitlements to the final one-tier tax exempt dividend. Subject to the aforesaid, Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 pm on 23 April 2009 will be entitled to the recommended final one-tier tax exempt dividend.

The final one-tier tax exempt dividend, if approved by shareholders, will be paid on 7 May 2009.

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PROXY FORM

GREAT EASTERN HOLDINGS LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
(COMPANY REGISTRATION NO. 199903008M)

IMPORTANT:

1. For investors who have used their CPF monies to buy Great Eastern Holdings Limited shares, this Annual Report is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____
of _____

being a member/members of Great Eastern Holdings Limited, hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)			

as my/our proxy/proxies to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 1 Pickering Street #02-02, Great Eastern Centre, Singapore 048659 on Wednesday, 15 April 2009 at 3.00 pm and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Resolutions	For	Against
	AS ORDINARY BUSINESS		
1	Adoption of Directors' Report and 2008 Audited Financial Statements		
2	Approval of a final one-tier tax exempt dividend of 16 cents per ordinary share		
3 (a)	Re-appointment of Director under Section 153(6) of the Companies Act, Chapter 50: Mr Lee Seng Wee		
(b)	Re-election of Directors retiring by rotation:		
	(i) Dr Cheong Choong Kong		
	(ii) Mr David Conner		
	(iii) Mr Lee Chien Shih		
(c)	Re-election of Directors retiring under Article 97:		
	(i) Mrs Fang Ai Lian		
	(ii) Mr Ng Keng Hooi		
4	Approval of Directors' fees of \$1,071,000 in respect of financial year 2008		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise Directors to fix their remuneration		
	AS SPECIAL BUSINESS		
6	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50		
7	Authority for Directors to grant share options and to allot and issue ordinary shares pursuant to the Great Eastern Holdings Executives' Share Option Scheme		

Dated this _____ day of _____ 2009

Signature(s) of Member(s) or Common Seal

Total Number of Shares Held

IMPORTANT: PLEASE READ NOTES OVERLEAF.

NOTES TO PROXY FORM:

- 1 (a) A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.

(b) Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person.
- 2 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 1 Pickering Street #16-01, Great Eastern Centre, Singapore 048659, not less than 48 hours before the time fixed for holding the Annual General Meeting.
- 3 Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 4 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
- 5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
- 6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 7 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
- 8 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Life is great!

Great Eastern Holdings Limited

1 Pickering Street #13-01

Great Eastern Centre, Singapore 048659

Tel: (65) 6248 2000 Fax: (65) 6532 2214

Website: www.lifeisgreat.com.sg

E-mail: wecare@lifeisgreat.com.sg