Doing well Delivering more

Great Eastern Holdings Limited Annual Report 2010

Vision

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

Mission

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

Core values

Integrity
Initiative
Involvement

Ethos

Great Eastern is always acting in the best interests of our customers with Fair Dealing as the basis of our business.

Contents

It was a good year for Great Eastern. The cover aptly reflects the theme of this year's report "Doing well, Delivering more" and reaffirms our commitment to, at all times, deliver from the heart.

Key Figures

Performance highlights FY2010

Gross premiums

S$6,156
millions

Profit attributable to shareholders

S$507
millions

Total assets

S$53,373
millions

Shareholders' fund

S$4,024
millions

Economic value of one year's new business

S$305
millions

Embedded value

S$7,075
millions

Market capitalisation

S$7,393[1]
millions

Distribution per share

87[2]
cents

(1) This is calculated using Shares Outstanding of 473,319,069 shares and last traded price in FY2010 of S$15.62 (31 December 2010).

(2) This includes the interim dividend of 10 cents per ordinary share and a cash distribution of 77 cents per ordinary share.

Doing well through business growth

Delivering excellent service to our customers

Strong Sales Growth
Total weighted new sales for the Group increased by 20% to S$723.8 million. Growth was strong across all our markets.

Total weighted new sales of our core markets of Singapore and Malaysia grew 16% and 12% respectively. Our China operations registered a 60% growth, almost double that of 2009 while our Indonesia operations registered an impressive 600% growth, albeit from a low base.

The Great Eastern Experience
Our four million policyholders enjoy consistent excellent customer service and benefit from our suite of well-designed, value-added protection, savings and investment products.

Across the Group, we enhanced our service delivery capabilities which materially reduced turnaround time, simplified processes and improved service standards.

Our successful BEE (Building Emotional Engagement) Programme in Singapore and Malaysia further inculcated a service-oriented culture within the Great Eastern family.

Doing well through product growth

Comprehensive Suite of Products

New products were introduced. These included *Prestige Legacy* and *PremierLife Heritage* in Singapore targeted at the high net worth and affluent segments; *Eldershield Comprehensive*, the first supplement plan in the market that provides early benefits payout upon severe disability; *Post-Surgical Care* which provides coverage for treatment of post-surgical complications; *Smart Early Payout Critical Care*, the first plan in Malaysia to pay at the early stages of a critical illness; and *MaxTerm Payback*, in conjunction with Bank OCBC NISP in Indonesia.

Our *Takaful for All* approach will enable us to better serve the insurance needs of our customers in Malaysia, Muslims and non-Muslims alike.

Delivering more choices for every stage of life

Doing well by strengthening our financials

Stable Profitability
Despite challenging investment conditions, net profit was S$507.2 million, driven by strong growth in underwriting profit, healthy growth in new business sales and higher long term profitability.

High Credit Rating
Great Eastern Life Assurance Company Limited has been rated 'AA–' by Standard and Poor's, reflecting our very strong business profile, superior capitalisation and well-developed risk management framework.

Strongly Capitalised
The Group's insurance subsidiaries in Singapore and Malaysia have Capital Adequacy Ratio in excess of 200%, well above the minimum regulatory ratios of 120% and 130% respectively.

Enhancing Returns to Shareholders
In view of the performance of the Group in 2010 and its strong capital position, the Board has recommended a cash distribution of 77 cents per ordinary share, amounting to S$364 million for the year. Including the interim dividend of 10 cents per ordinary share that has been paid in September 2010, the total payment to shareholders will amount to S$411 million for financial year 2010.

Delivering better results to our stakeholders

Financial Highlights

Financial year ended 31 December		2010	2009	2008	2007	2006
Group Statistics						
Gross Premiums	(S$m)	**6,155.8**	5,833.6	7,029.7	5,997.7	5,417.5
Profit Attributable to Shareholders[(1)]	(S$m)	**507.2**	516.7	272.4	546.9	476.9
Total Assets	(S$m)	**53,373.0**	48,531.2	44,155.2	46,579.8	42,025.9
Shareholders' Fund	(S$m)	**4,024.0**	3,566.3	3,011.2	3,285.8	2,935.4
Stock Exchange Prices[(2)]	(S$)	**15.62**	13.54	9.06	16.60	17.00
Market Capitalisation[(2)]	(S$m)	**7,393.2**	6,408.7	4,288.3	7,857.1	8,046.4
Embedded Value	(S$m)	**7,074.9**	6,232.1	5,788.0	6,265.3	5,625.4
Economic Value of One Year's New Business	(S$m)	**304.9**	234.6	264.1	268.1	215.2
Group Financial Ratios						
Return on Equity[(3)]		**13.4%**	15.7%	8.7%	17.6%	17.1%
Gross Premium Growth		**5.5%**	-17.0%	17.2%	10.7%	7.7%
Basic Earnings per share[(4)]	(S$)	**1.07**	1.09	0.58	1.16	1.01
Diluted Earnings per share	(S$)	**1.07**	1.09	0.58	1.16	1.01
Net Asset Value per share	(S$)	**8.50**	7.53	6.36	6.94	6.20
Embedded Value per share	(S$)	**14.947**	13.167	12.229	13.237	11.885
Economic Value of One Year's New Business per share[(5)]	(S$)	**0.644**	0.496	0.558	0.564	0.454
Gross Dividend per share paid during the year	(cents)	**45.0**	21.0	52.0	70.0	50.0

(1) Profit Attributable to Shareholders is derived after accounting for income tax and exceptional items.

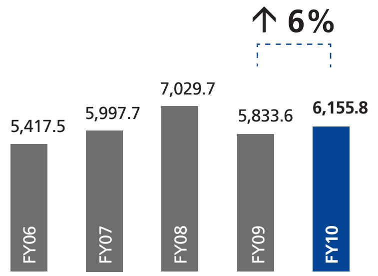
(2) The Stock Exchange Prices and Market Capitalisation were obtained from Bloomberg.

(3) 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.

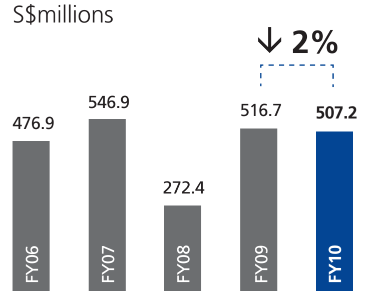
(4) The Basic Earnings per share were based on the Group's Profit Attributable to Shareholders divided by total paid-up shares.

(5) 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.

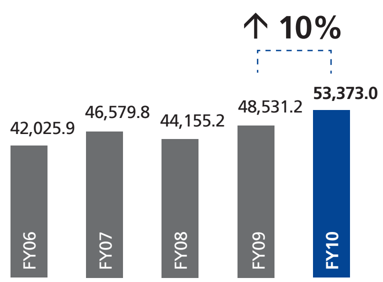
Gross premiums
S$millions



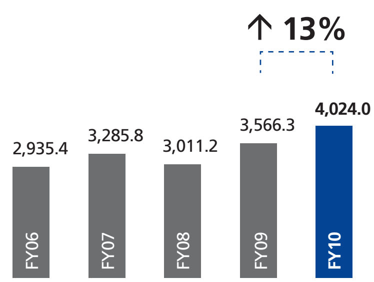
Profit attributable to shareholders
S$millions



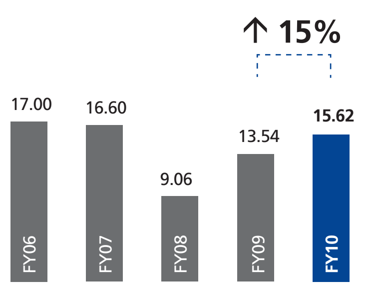
Total assets
S$millions



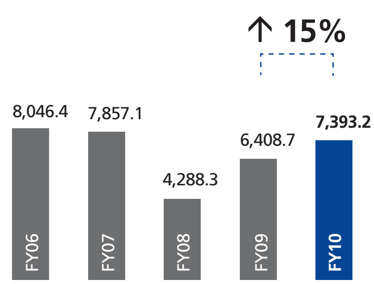
Shareholders' fund
S$millions



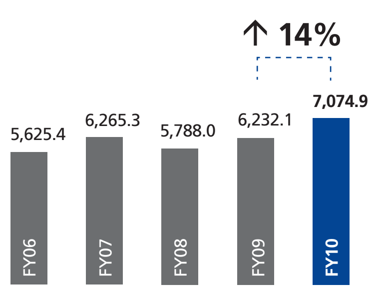
Stock exchange prices
S$



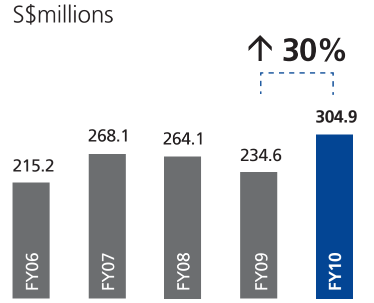
Market capitalisation
S$millions



Embedded value
S$millions

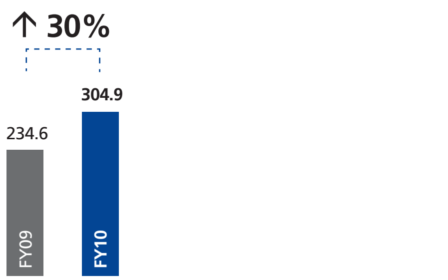


Economic value of one year's new business
S$millions



Chairman's Statement

New business embedded value
S$millions



"Our clear and consistent strategy to focus on growing our portfolio of regular premium and protection products in response to the needs of our customers is now bearing fruit and has enabled the Group to deliver good growth in shareholder value as well as enhance long term profitability."

The Group had a good year in 2010 with exciting new developments. We built on the momentum achieved in 2009 and with robust economic recovery in the markets where we operate, we were able to deliver a healthy set of results. We maintained our market leadership position as the leading insurer in Singapore and Malaysia in the face of strong competition in both countries. Our clear and consistent strategy to focus on growing our portfolio of regular premium and protection products in response to the needs of our customers is now bearing fruit and has enabled the Group to deliver good growth in shareholder value as well as enhance long term profitability.

During the year, we also made encouraging progress to deepen our presence in Indonesia and China and further grew the Great Eastern brand in all our key markets. In Singapore, we maintained our pole position in bancassurance and our agency force ranked as the most productive among the major insurance companies.

Delivering good results

The Group reported full-year 2010 net profit to shareholders of S$507.2 million, which was comparable to full-year 2009 profit of S$516.7 million. This was primarily attributed to the strong performance in our core markets of Singapore and Malaysia. Despite challenging investment conditions in 2010, due to volatile long term interest rates in particular, the Group registered strong growth in underwriting profit, healthy growth in new business sales and overall higher long term profitability as measured by New Business Embedded Value (NBEV). The Group's NBEV, a commonly recognised measure of long term profitability of new sales, grew by 30% from S$234.6 million to S$304.9 million as a result of strong sales in higher margin products relative to new business premium growth of 20%.

Total weighted new sales for the Group rose to S$723.8 million, a healthy increase of 20% from last year's S$601.3 million, largely driven by a robust growth of 34% in regular premium products. In the last quarter, total weighted new sales for the Group rose 26% to S$237.9 million from S$188.9 million, a record in terms of sales in a single quarter.

Full-year profit in 2010 from insurance operations and investments in Shareholders' Fund was S$460.0 million and S$144.3 million respectively.

Fees and other income increased to S$69.1 million compared with S$63.7 million in 2009 due to the growth in assets managed by Lion Global Investors (LGI), our asset management subsidiary. LGI's total assets under management increased to S$28.74 billion, of which third party assets under management grew 18%.

The Capital Adequacy Ratios of the Group's insurance subsidiaries in Singapore and Malaysia both exceeded 200%, well above the minimum regulatory ratios of 120% and 130% respectively.

Total assets increased to S$53.4 billion as at 31 December 2010, an increase of 10% from S$48.5 billion a year earlier. Net asset value per share rose 13% to S$8.50.

In view of the performance of the Group in 2010 and its strong capital position as at 31 December 2010, the Board is pleased to recommend a cash distribution of 77 cents per ordinary share. The cash distribution will be effected by way of a capital reduction of the Group's Shareholders' Fund subject to the approval of shareholders and other legal and regulatory approvals. Taking into account the interim dividend of 10 cents per ordinary share paid to shareholders in September 2010, the total cash payment will be 87 cents per ordinary share, amounting to S$411 million for the year.

Growing our footprint in Asia

Total weighted new sales from Indonesia, China and Vietnam registered S$50.1 million compared with S$13.1 million last year. Indonesia registered an impressive seven-fold growth in regular premium sales from the effective execution of initiatives to increase the size and productivity of its agency force. We are excited about our prospects in Indonesia which has a huge population base of 240 million, high savings, low single-digit penetration of insurance and a growing economy. We also see good potential in China and Vietnam. China registered 60% growth in new business, almost double that of 2009.

We were awarded a preparatory licence to open a branch in Shaanxi which, combined with our presence in Sichuan and Chongqing, gives us access to a market of 150 million people. Our Vietnam operations, in its second year, also made good progress and we are positive that our strategy is taking hold.

Celebrating a year of 'firsts'

Results aside, 2010 was also worth celebrating as the Group ushered in many 'firsts'.

In Malaysia, we succeeded in securing a Takaful licence from Bank Negara Malaysia and commenced operations within a short span of just two months, being the first amongst the four new licencees to do so. The Takaful business presents an enormous business opportunity for us and we will be leveraging the substantial distribution and operational infrastructure of our conventional business to penetrate the market.

In both Singapore and Malaysia, our general insurance business delivered exceptional results. As part of our strategy in Malaysia to build scale and grow our share in that competitive market, we acquired Tahan Insurance Malaysia Berhad and took over its general insurance portfolio from 1 January 2011.

Another feather in our cap was Great Eastern Life Assurance Company Limited being accorded the financial strength and counterparty credit ratings of 'AA–' by Standard & Poor's, one of the world's leading providers of independent investment information. This is one of the highest ratings given to an insurer in Asia and reflects our very strong business profile, superior capitalisation and well-developed risk management framework. We were the first Asian insurance company outside Australia and Japan to issue subordinated bonds.

In keeping with our reputation of always being ahead of the curve, we embarked on several exciting initiatives. On the investment front, we acquired a 5% stake in China International Capital Corporation, one of the most prestigious and successful financial institutions in China. On the property-front, together with OCBC Bank and United Engineers Limited, we unveiled

Chairman's Statement

"Our customers are our inspiration. We are proud of the Great Eastern Experience where our four million policyholders enjoy consistent excellent customer service and value-added products."

plans for the construction of an iconic retail, hotel and office landmark in Orchard Road. The development, designed by internationally-renowned architectural firm Tange Associates, will be linked by a glass overhead bridge – the first of its kind along Orchard Road – as well as an underground pedestrian mall which will dramatically change the shopping landscape of the area.

Enhancing our distribution capabilities

We capitalised on the strength and experience of our 20,000-strong agency force across the Group to gain a stronger foothold and penetrate new segments. We invested in enhancing our distribution infrastructure to better equip our agency force. We are the first in Malaysia to achieve 100% submission of our customers' proposal forms online, which has materially reduced turnaround time, simplified processes and improved service levels. Despite a tight labour market, we successfully recruited over 7,000 life planners across the Group and the force is now younger and better qualified. In Singapore, over two-thirds of our new recruits are diploma holders or graduates while in Malaysia, the figure is close to 50%.

Our bancassurance business performed exceedingly well. Not only did we maintain the number one position in Singapore for the tenth year running, we registered a hefty S$149.8 million in total weighted premium. For that, I would like to acknowledge the invaluable contribution and co-operation of our bancassurance partners, in particular OCBC Bank. We will be applying our successful formula to further expand our partnership with OCBC Bank, Bank of Singapore and Bank OCBC NISP in countries in which they operate.

Our customer proposition

Our customers are our inspiration. We are proud of the Great Eastern Experience where our four million policyholders enjoy consistent excellent customer service and value-added products. We enhanced our suite of products which included our first range of Universal Life products in Singapore targeted at the high net worth and affluent segments and *Smart Early Payout Critical Care*, the first plan in Malaysia to pay at the early stages of a critical illness. Our product strategy will remain broad and focused on meeting our customers' varying needs.

Our research in Singapore conducted by an independent company ranked Great Eastern number one in customer satisfaction and our products and services ranked first in terms of value-for-money. In the same survey, Great Eastern also scored the highest for reputation, overall image and customer loyalty. The results reaffirm the trust and confidence our customers have in us.

Capitalising on group synergy and integration

The data centres in Singapore and Malaysia were successfully re-located to our Regional Data Centre in Cyberjaya, Malaysia while the Group's Regional Disaster Recovery Centre was set up in Singapore to support business continuity. We embarked on a programme to standardise software applications across the Group which will result in our products being made available faster to our customers. To mitigate risk and enhance efficiencies, we invested in a sophisticated centralised investment data management system to enable us to more effectively aggregate data across all asset classes, markets and currencies to facilitate quick decision making.

Regulatory developments in Singapore and Malaysia

We welcome the introduction of regulations and guidelines aimed at raising professionalism and service standards. In Singapore, the Monetary Authority of Singapore introduced the Representative Notification Framework (RNF) in November 2010. With RNF, our customers and the public can now check information on all representatives on-line at any time. In Malaysia, Bank Negara Malaysia introduced the Treating Customers Fairly guideline which we have long championed and which enhances consumer confidence, product transparency and professional standards.

Earning recognition and accolades

The Group received numerous accolades during the year. They included the Most Trusted Brand Gold Award by Reader's Digest in Singapore and Malaysia, two BrandLaureate Awards (Malaysia), the Insurance Award by Infobank Magazine (Indonesia) and the Golden Dragon Award (Vietnam). We were also awarded the Singapore Service Class by SPRING Singapore for service excellence. In Malaysia, for the second successive year,

we were bestowed with the 100 Leading Graduate Employers 2010 Award by GTI Media. Lion Global Investors garnered its share of acclaim, with 14 awards at The Edge-Lipper Singapore and Taiwan Fund Awards for the strong and consistent performance of its retail funds in 2009.

Corporate Social Responsibility

We also placed great emphasis on being a caring corporate citizen and enhancing the lives of those in the communities in which we operate.

Group-wide, we supported many worthy causes, with special focus on children, the elderly and women. Staff were encouraged to actively participate and volunteer in many community projects. We raised over S$250,000 across the Group for needy children under our ChildrenCare programme. In Singapore, we were the title sponsor for the Great Eastern International Kids Performing Festival which offered opportunities for young people to develop their talent and appreciation of the arts, while encouraging families to spend quality time together.

The annual Great Eastern Women 10K run attracted 12,000 women and raised funds for the Breast Cancer Foundation and the Singapore University of Technology and Design. In Malaysia, we offered scholarships to deserving students. Our offices in Indonesia, China and Vietnam donated basic necessities to help those affected by natural disasters in their respective countries.

Developing our people

Our people are our greatest assets. Our human capital strategies focused on attracting, developing and retaining talent and creating a great corporate culture. Our signature "Making Life Great!" workshops enabled us to identify areas for improvement to enhance staff engagement. We made good progress in our Talent Management Programme and will continue to invest in managing and developing our human capital.

Looking ahead

The economic growth in the region and Singapore is expected to continue but the uncertain economic recovery in the US, rising inflationary pressures, the escalating unrest in the Middle East as well as on-going concerns of sovereign debt default in Europe could have a negative spill-over effect. Nevertheless, our business fundamentals are strong and consumer confidence is likely to remain strong which bodes well for the Group.

In 2011, we will continue the disciplined execution of our strategies and accelerate them. We intend to pull even further ahead of our competitors in Singapore and Malaysia whilst striving to make further inroads in Indonesia, China and Vietnam. Our business is all about trust … and the Great Eastern name stands commandingly tall.

To further grow our business and better optimise our resources, we will step up efforts to better align and integrate our product offerings, marketing and branding activities across the Group. Our agency force will be further strengthened as we make them the most professional, most productive and most admired in the industry. For bancassurance, we will leverage Group synergies and focus on maximising the potential with OCBC Bank. We will enhance our data analytics capability, continue to anticipate trends and heighten engagement with all stakeholders. Cost management and financial prudence will remain key priorities.

In Malaysia, our Takaful business will be a significant engine of growth for the Group. For the emerging markets, our strategy will be to focus on Indonesia, while at the same time developing our market share in China and Vietnam. Service-wise, we will continue to raise standards and strive to be the industry benchmark. Priority will continue to be placed on developing our people as they fuel our future growth.

Acknowledgements

On behalf of the Group, I would like to express my appreciation to the Board of Directors for their valuable insights and wise counsel and welcome Mr Norman Ip who was appointed as Director on 5 March 2010. Mr Ng Keng Hooi resigned as Group CEO in September 2010 to take on a regional appointment in a multi-national corporation. I would like to thank Keng Hooi for his contributions as well as the CEOs of all our markets who worked tirelessly with me to ensure the smooth day-to-day running of the business during the period of Group CEO transition.

We welcome Mr Christopher Wei who joined the Great Eastern family as Group CEO from 10 February 2011. Chris brings on board his broad-based experience in the insurance industry and with his in-depth knowledge and experience, coupled with his leadership, the Group will be in a strong position to further grow our business.

As always, I would like to thank our shareholders and business partners for their continued confidence and support. I would also like to give credit to our management team and staff for their hard work and dedication.

We are well-positioned to make 2011 another good year for the Group and deliver continued profitable growth and increased value to all our shareholders.

Fang Ai Lian (Mrs)
Chairman
15 February 2011

Board of Directors

1. Fang Ai Lian
2. Christopher Wei
3. Cheong Choong Kong
4. David Conner

Fang Ai Lian

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 last re-elected as the Company's Director on 15 April 2009. She was appointed Chairman of the Company's principal insurance subsidiaries – The Great Eastern Life Assurance Company Limited ("Great Eastern Life") 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 I Great Capital Holdings Sdn Bhd, Great Eastern Takaful Sdn Bhd, Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), OCBC Management Services Pte Ltd, Banyan Tree Holdings Limited, Singapore Telecommunications Limited, Metro Holdings Limited and MediaCorp Pte Ltd. She is a Member of the Governing Board of Duke-NUS Graduate Medical School of Singapore and the Singapore University of Technology and Design's Board of Trustees. She was previously a Board member of Public Utilities Board (until 1 April 2009) and International Enterprise Singapore (until 1 January 2010). She was previously with Ernst & Young ("E&Y") for the past 37 years and she last held the position of Chairman of E&Y Singapore until her retirement on 31 March 2008.

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 Institute of Certified Public Accountants.

Christopher Wei

Group Chief Executive Officer

Mr Wei was appointed to the Company's Board on 10 February 2011 upon his appointment as the Group Chief Executive Officer of the Company, Great Eastern Life and OAC with effect from 10 February 2011. He is a Director of Great Eastern Life and OAC and Deputy Chairman of the Company's asset management subsidiary, Lion Global Investors Limited. Prior to joining the Company, Mr Wei was the Executive Vice President and Group Chief Marketing Officer of American International Assurance Company Limited ("AIA"), where he oversaw its largest group-wide re-branding exercise in the Asia Pacific region and played an instrumental role in developing new capabilities in research and business intelligence, customer value management and innovative product development. In addition to his role as Group Chief Marketing Officer, Mr Wei also served as Group Head of Bancassurance and Direct Marketing for AIA.

Among his varied experience in the industry, Mr Wei also held the position of Chief Executive Officer at AIG United Guaranty Insurance (Asia) Limited in Hong Kong. His previous experience in the insurance industry included working at ING Canada Inc. and Allstate Insurance Company of Canada where he held various positions including Chief Risk Officer. Aside from risk management, Mr Wei also led the development of strategic planning, customer segmentation and data analytics capabilities for the companies he worked in.

Mr Wei graduated with a Bachelor of Science (Hons) from the University of Toronto in 1991 where he completed a specialist programme in actuarial science. He is an associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

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 15 April 2009. He is a Director of OAC and was a Director of Great Eastern Life until 15 April 2008. He is the Patron of the Movement for the Intellectually Disabled of Singapore (MINDS), Chairman of OCBC Bank and a Board Director of OCBC Management Services Pte Ltd. He was formerly 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, where he last held the position of Deputy Chairman and Chief Executive Officer at SIA.

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

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 15 April 2009. 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, KTB Ltd and Singapore Olympic Foundation. He is Chairman and Director of Bank of Singapore Limited, Singapore Island Bank Ltd and Lion Global Investors Limited and Commissioner of PT Bank OCBC NISP Tbk, Indonesia. He also serves as a member of the Malaysia-Singapore Business Council, the Council of the Association of Banks in Singapore, the Advisory Committee of the MAS Financial Sector Development Fund, the Corporate Governance Council of MAS, 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 Chairman of International Advisory Council for Asia, Washington University in St. Louis. He is a Board Trustee of Washington University in St. Louis. He was previously Chairman of the Council of the Association of Banks in Singapore (until 26 June 2009), a Council Member of the Singapore Business Federation (until 31 August 2009) and a Director of the International Monetary Conference (until June 2009). Before joining OCBC Bank in 2002, Mr Conner previously worked for more than 25 years with Citibank N.A., where he was 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.

Board of Directors

5. Norman Ip
6. Koh Beng Seng
7. Lee Seng Wee
8. Lee Chien Shih
9. Tan Sri Dato' Dr Lin See-Yan
10. Tan Yam Pin

Norman Ip

Mr Ip was first appointed to the Board of the Company on 5 March 2010 and was last re-elected as the Company's Director on 15 April 2010. Mr Ip is the Chairman of the Board of Malaysia Smelting Corporation Berhad, UE E&C Ltd and also serves on the Board of Australia Oriental Minerals NL. He is also a Director of WBL Corporation Limited, United Engineers Limited, AIMS AMP Capital Industrial REIT Management Limited, and a Board Member of the Building and Construction Authority. He retired as the President and Group CEO and Executive Director of The Straits Trading Company Limited group of companies on 31 October 2009.

Mr Ip graduated with a BSc (Econs) from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Certified Public Accountants of Singapore.

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 2010. 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 2010. He has been 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 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 15 April 2009. 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 and Bukit Sembawang Estates Limited. He was previously a Director of Frasers Centrepoint Limited (until 23 February 2007) and West Pacific Medical Services Pte Ltd (until 10 May 2010).

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-appointed as the Company's Director on 15 April 2010. He is also on the Board of OAC. He was a Director of Great Eastern Life until 15 April 2008. He also sits on the boards of The Straits Trading Company Limited, Silverlake Axis Limited, Top Glove Corporation Berhad, KrisAssets Holdings Berhad, Fraser & Neave Holdings Berhad, Ancom Berhad, Genting Berhad, Wah Seong Corporation Berhad and JobStreet Corporation Berhad. He continues to serve the public interest, including as a Member of the Prime Minister's Economic Council Working Group in Malaysia, as well as a member of a number of key National Committees on Higher Education; and as Economic Advisor, Associated Chinese Chambers of Commerce and Industry of Malaysia. Tan Sri Dato' Dr Lin was Pro-Chancellor, University Science Malaysia until 2010. He is also Chairman Emeritus, Harvard Graduate School of Arts & Sciences Alumni Council at Harvard University as well as the Harvard Alumni Association's Regional Director for Asia until 2010, in addition to being President, Harvard Club of Malaysia. Prior to 1998, he was Chairman and Chief Executive Officer of the Pacific Bank Group and, for 14 years previously, Deputy Governor of Bank Negara Malaysia, having been a central banker for 34 years. He also served as Director of Khazanah Nasional Malaysia (1994 to 2000) and was Chairman of its Executive Board (1999 to 2000). He was previously a Director of Genting Malaysia Bhd until 1 November 2010.

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) and Ph.D (Economics). He is also a Chartered Statistician and a Chartered Scientist, Fellow of the Royal Statistical Society, London, Fellow (Hon) of the Malaysian Insurance Institute and Fellow of the Malaysian Institute of Bankers.

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 15 April 2010. Mr Tan is also a Director of Singapore Post Limited, Keppel Land Limited, Blue Scope Steel Limited (Australia) and Leighton Asia Limited (Hong Kong). He has been a Member of the Singapore Public Service Commission since 1990. He was previously a non-executive Chairman of Singapore Food Industries Limited (until April 2009), 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

Christopher Wei
Group Chief Executive Officer
(Mr Wei's profile can be found on page 15 of this report)

Tan Hak Leh
Chief Executive Officer (Singapore), Great Eastern Life Assurance Co Ltd
With Great Eastern since 2005. Responsible for driving and growing the life, group and general insurance business, Net Profit After Tax and New Business Embedded Value for Great Eastern Life and Overseas Assurance Corporation in Singapore.

Qualifications: BSc in Actuarial Mathematics & Statistics (1st Class Hons), Heriot-Watt University, UK; Fellow of the Institute of Actuaries, UK.

Koh Yaw Hui
Chief Executive Officer, Great Eastern Life Assurance (Malaysia) Bhd
With Great Eastern since 2002. Responsible for the operations and business growth, Net Profit After Tax and New Business Embedded Value for Great Eastern Life and Overseas Assurance Corporation in Malaysia.

Qualifications: BSocial Science (Hons) in Economics, Universiti Sains Malaysia; Fellow of Life Management Institute, USA; Registered Financial Planner (RFP); Shariah RFP.

Tony Cheong
Group Chief Financial Officer
With Great Eastern since 2009. Oversees the finance and actuarial functions of the Group. Also responsible for driving the Group's corporate strategy.

Qualifications: BSc (1st Class Hons) in Actuarial Science, London School of Economics & Political Science; Fellow of the Institute of Actuaries, UK.

Andrew Lee
Group Chief Marketing and Distribution Officer
With Great Eastern since 2010 and OCBC Bank since October 1999. Responsible at the group level for brand management, strategic marketing, product management, and distribution management.

Qualifications: BSocial Science (Merits in Economics), University of Singapore.

Yoon Mun Thim
Group Chief Investment Officer
With Great Eastern since 2009. Responsible for the formulation of investment strategies and management of investments within the Group.

Qualifications: BArts, University of Cambridge; Master of Business Administration (Distinction), Warwick Business School, University of Warwick; Chartered Financial Analyst.

Ho Ming Heng
Managing Director, Operations & IT
With Great Eastern since 2008. Responsible for the Group's operations in the insurance value chain from new business underwriting to claims to customer service. Also responsible for the planning and development of IT within the Group.

Qualifications: BSc in Engineering (1st Class Hons), King's College, London University, UK.

Chin Wee Cheak
Head, Group Audit
With Great Eastern since 2009 and the OCBC Group since 1999. Responsible for the independent and objective assessment of the Group's network of risk management, control and governance processes through internal audits.

Qualifications: BAccountancy (2nd Upper Class Hons), National University of Singapore.

Jennifer Wong Pakshong
Group Company Secretary and General Counsel
With Great Eastern since 2009 and the Group since 1999. Oversees the corporate secretarial and legal functions of the Group.

Qualifications: LLB (Hons), University of Bristol (UK); LLM (with Merit), University College London; Degree of an Utter Barrister, Gray's Inn (UK); admitted as an Advocate and Solicitor of the Supreme Court of Singapore.

David Chiang Boon Kong
Managing Director, Group Human Capital
With Great Eastern since 1997. Responsible for the change programmes and development of human capital within the Group.

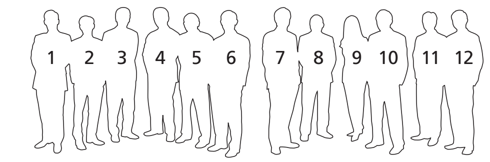
Qualifications: BBA (1st Class Hons), National University of Singapore.

Loo Boon Teik
Group Actuary
With Great Eastern since 2009. Assists the Group Chief Financial Officer to oversee the actuarial function of the Group.

Qualifications: BSc (1st Class Hons) in Actuarial Science, London School of Economics & Political Science; Fellow of the Institute of Actuaries, UK.

Ronnie Tan
Head, Group Risk Management
With Great Eastern since 2002. Responsible for the management of the various risks of the Group, including market, credit, insurance, operational and compliance risks.

Qualifications: BSc in Business Administration (Highest Distinction), University of Nebraska-Lincoln; Chartered Financial Analyst; Fellow of the Society of Actuaries; Member of The American Academy of Actuaries.



1. Christopher Wei
2. Tan Hak Leh
3. Koh Yaw Hui
4. Tony Cheong
5. Andrew Lee
6. Yoon Mun Thim
7. Ho Ming Heng
8. Chin Wee Cheak
9. Jennifer Wong Pakshong
10. David Chiang Boon Kong
11. Loo Boon Teik
12. Ronnie Tan

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 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 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:

(a) reviewing and approving the Group's strategic direction, overall policies, long term goals and financial objectives, business plans and annual budget;

(b) providing Board oversight over the business affairs and reviewing the financial performance of the Company and the Group;

(c) providing 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;

(d) overseeing the establishment of frameworks for adequate, prudent and effective internal controls and processes and effective risk assessment and management;

(e) overseeing the succession planning for key senior executive positions within the Group and responsibility for the selection and appointment of the Group CEO;

(f) approving major corporate activities, initiatives and transactions of a significant nature; and

(g) monitoring management performance.

G 1.3 **Board Committees**

The Board has established a number of Board committees ("Board Committees") to assist it in carrying 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 have 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 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. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened. In 2010, the Board held seven scheduled Board meetings. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Articles of Association.

G 1.4 The number of meetings of the Board and Board Committees held in 2010 and the attendance of the Directors at those meetings are tabulated on page 21.

Directors' attendance at Board and Board Committee meetings in 2010

	Board No. of meetings		Nominating Committee (NC) No. of meetings			Audit Committee (AC) No. of meetings		
	Scheduled		Scheduled		Ad hoc	Scheduled		Ad hoc
Name of Director	Held	Attended	Held	Attended	Attended	Held	Attended	Attended
Fang Ai Lian	7	7	2	2	4	4	4	1
Cheong Choong Kong	7	7	2	2	3	–	–	–
David Conner	7	7	–	–	–	–	–	–
Norman Ip [(1)]	6	6	–	–	–	3	3	1
Koh Beng Seng	7	6	–	–	–	–	–	–
Lee Seng Wee	7	7	2	2	4	–	–	–
Lee Chien Shih	7	7	–	–	–	–	–	–
Tan Sri Dato' Dr Lin See-Yan	7	7	–	–	–	4	4	1
Professor Neo Boon Siong [(2)]	2	2	–	–	–	1	1	–
Ng Keng Hooi [(3)]	5	5	–	–	–	–	–	–
Tan Yam Pin	7	7	2	2	4	4	4	1

	Remuneration Committee (RC) No. of meetings			Executive Committee (Exco) No. of meetings		Risk & Investment Committee (RIC) No. of meetings		
	Scheduled		Ad hoc	Scheduled		Scheduled		Ad hoc
Name of Director	Held	Attended	Attended	Held	Attended	Held	Attended	Attended
Fang Ai Lian	2	2	2	6	6	6	6	1
Cheong Choong Kong	–	–	–	6	6	–	–	–
David Conner	2	2	2	6	6	6	6	1
Norman Ip [(1)]	–	–	–	–	–	5	5	1
Koh Beng Seng	2	2	2	–	–	6	6	1
Lee Seng Wee	–	–	–	–	–	–	–	–
Lee Chien Shih	2	2	1	–	–	–	–	–
Tan Sri Dato' Dr Lin See-Yan	–	–	–	–	–	–	–	–
Professor Neo Boon Siong [(2)]	1	1	1	–	–	–	–	–
Ng Keng Hooi [(3)]	–	–	–	5	4	5	4	–
Tan Yam Pin	–	–	–	6	6	–	–	–

Notes:
(1) Appointed as Director with effect from 5 March 2010, and as Member of AC and RIC with effect from 5 March 2010.
(2) Retired from the Board with effect from 15 April 2010 and stepped down as Member of AC and RC with effect from 15 April 2010.
(3) Resigned as Director and Group CEO with effect from 30 September 2010 and stepped down as Member of Exco and RIC with effect from 30 September 2010.
(4) Directors' Attendance at the AGM/EGM and two Board sessions without Management is not included in the above table.

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 2010 – NC: 4, AC: 1, RC: 2, RIC: 1.

G 1.5 The Company has adopted internal guidelines on matters which require Board approval. Matters requiring Board 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.

Newly-appointed Directors will be apprised of their statutory duties and obligations and issued a Director's orientation kit which will include key information on the Company and the Group and terms of reference of the Board and Board Committees. As part of the induction program for new Directors, Management will brief new Directors on the Group's principal activities, in particular, the insurance business and the induction program will be tailored to the specific development needs of the new Director. The Company constantly reviews and improves on the contents of such briefings to new Directors to enable new Directors to have a more comprehensive understanding of the Group, the insurance business and practices and the Group's financial statements.

Corporate Governance Report

Board Training
The Directors are continually updated on developments affecting the insurance industry. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management on topics relevant to the insurance industry and provides updates on developments in the industry locally and in other developed countries. A reference library containing publications and materials relating to the insurance industry and other relevant publications has been set up for Directors and industry-related or topical articles are regularly circulated to Directors as part of the Company's continuing education program for Directors. Continued training and development programs 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.

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

G 4.6 The Company's present Board of ten Directors comprises a non-executive Chairman, Mrs Fang Ai Lian, eight other non-executive Directors and the new executive Director and Group Chief Executive Officer ("Group CEO"), Mr Christopher Wei, who joined the Company on 10 February 2011. The eight other non-executive Directors are Dr Cheong Choong Kong, Mr David Conner, Mr Norman Ip, Mr Koh Beng Seng, Mr Lee Seng Wee, Mr Lee Chien Shih, Tan Sri Dato' Dr Lin See-Yan and Mr Tan Yam Pin.

In 2010, two Directors stepped down from the Board – Professor Neo Boon Siong, who retired by rotation at the Company's annual general meeting ("AGM") on 15 April 2010 and did not seek re-election, and Mr Ng Keng Hooi, the former Group CEO, who resigned and stepped down from the Board with effect from 30 September 2010. One new Director was appointed in 2010 – Mr Norman Ip (appointed on 5 March 2010).

Board Independence
The Company defines the independence of its Directors in accordance with the Code. An independent Director is one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

The Code requires that there should be a strong and independent element on the Board, with independent Directors making up at least one-third of the Board and this independent element should be able to exercise objective judgement on corporate affairs independently, in particular, from Management.

G 4.6 The Company's Board has a majority of independent Directors. The Nominating Committee determines annually whether a Director is independent. Taking into consideration the definition of "independent Director" and 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 Norman Ip, Mr Koh Beng Seng, Mr Lee Seng Wee, Mr Lee Chien Shih, Tan Sri Dato' Dr Lin See-Yan and Mr Tan Yam Pin.

Mr Christopher Wei, Mr David Conner and Dr Cheong Choong Kong are considered as non-independent; Mr Christopher Wei is the Group CEO and executive Director of the Company, Mr David Conner is the Chief Executive Officer and executive Director of the Company's holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), and Dr Cheong Choong Kong is a party to an agreement with OCBC Management Services Private Limited, a wholly-owned subsidiary of OCBC Bank, under which Dr Cheong is appointed as a consultant and entitled to certain payments and benefits (details of which are provided in the Directors' Report).

The Board, through its Nominating Committee, is of the view that the current Board size facilitates effective decision making, taking into account the scope and nature of the operations of the Company and the Group.

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 non-executive Directors constructively challenge and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The non-executive Directors meet during the year without the presence of Management to discuss matters such as the performance and effectiveness of Management.

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 Christopher Wei are distinct and separate, with a clear division of responsibilities between them. The Company has Board-approved internal guidelines setting out the scope of authority of the Chairman and Group CEO. 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 Group 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 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. In accordance with the Code, the Chairman of the Nominating Committee is not a substantial shareholder of the Company and is not directly associated with a substantial shareholder of the Company. The responsibilities of the Nominating Committee are set out in its Board-approved terms of reference.

The Nominating Committee is responsible for reviewing nominations for the appointment, re-appointment, election or re-election of Directors on the Board and Board Committees. It also reviews nominations for key senior management positions in the Company and the Group and makes recommendations to the Board on all such appointments.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Nominating Committee assesses annually each Director's attendance record and degree of participation at meetings. The Nominating Committee is satisfied that Directors who have multiple board representations have been able to devote adequate time and attention to fulfill their duties as Directors of the Company.

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.

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. The Nominating Committee may engage external search consultants to source for potential candidates. 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

Corporate Governance Report

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.

The Nominating Committee held a total of six meetings in 2010 (including four ad hoc meetings). Most of the additional meetings related to interviews of potential candidates for key senior management positions.

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 on pages 14 to 17 of 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, 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. 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 contribution 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 and timely 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 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.

Directors have separate and independent access to the Group Company Secretary and to senior management executives of the Company and 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 regulations are complied with. Under the direction of the Chairman, she ensures good information flows within the Board and Board Committees and between senior management and non-executive Directors. The Group Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of the Group Company Secretary is considered to be a matter for the Board as a whole.

The Directors may take independent professional advice as and when necessary to enable them to discharge their 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 four non-executive Directors – namely Mrs Fang Ai Lian (Chairman), Mr David Conner, Mr Koh Beng Seng and Mr Lee Chien Shih. 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 policies 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 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 packages 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 that remuneration packages are appropriate to attract, retain and motivate the executive Director and senior management executives without being excessive.

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.

P 9 **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 the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate 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 2010 ("FY2010") which remains unchanged from the fee structure in respect of the financial year ended 31 December 2009 ("FY2009"):

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.
– Fees for Chairperson and member of Ad hoc Board Committee: $10,000 and $5,000 respectively.

Corporate Governance Report

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.

P 9 **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 a Director's 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 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 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.

As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. The Company has compensation practices for executives that align their interests to that of the Group. Nevertheless, it is undertaking a review of its compensation practices to further ensure that decisions made are conducive to sustained business performance.

The Remuneration Committee held a total of four meetings in 2010 (including two ad hoc meetings). Most of the additional meetings related to the review of compensation practices of the Group and the review/recommendation of the remuneration packages for candidates nominated by the Nominating Committee for key senior management positions.

Disclosure on Directors' remuneration

G 9.2 The total Directors' remuneration in respect of FY2010 is shown in the table on page 27. Non-executive Directors will be paid Directors' fees totalling $1,399,409 in respect of FY2010, subject to shareholders' approval at the Company's AGM on 14 April 2011. The fee structure for non-executive Directors for FY2010 remains unchanged from that in respect of FY2009. In FY2009, non-executive Directors were paid Directors' fees totalling $1,453,000.

A payment of $600,000 is being proposed as a Special Director's fee in recognition of the exceptional contributions of Mrs Fang Ai Lian during the period of Group CEO transition in FY2010. This award is subject to shareholders' approval at the Company's forthcoming AGM.

The table on page 27 shows the remuneration of non-executive Directors and the executive Director of the Company for FY2010.

G 9.2 After careful consideration, the Company has 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 None of the Directors had immediate family members who were employees of the Company and whose personal annual remuneration exceeded $150,000.

Share option scheme

G 9.4 The Company does not have any share option scheme in place. Instead, the Company's holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 (the "OCBC Scheme") to selected senior executives of the GEH Group ("GEH Optionholders")

Name of Director	Total Remuneration $'000	Salary & Fees $'000	Special Director's Fee $'000	Bonuses $'000	Benefits -in-kind [1] $'000
Non-Executive Directors					
Fang Ai Lian	1,096	415	600	–	81
Cheong Choong Kong	119	119	–	–	–
David Conner [2]	151	151	–	–	–
Norman Ip [3]	109	109	–	–	–
Koh Beng Seng	115	115	–	–	–
Lee Seng Wee	89	89	–	–	–
Lee Chien Shih	87	87	–	–	–
Tan Sri Dato' Dr Lin See-Yan	100	100	–	–	–
Professor Neo Boon Siong [4]	35	35	–	–	–
Tan Yam Pin	179	179	–	–	–
Executive Director					
Ng Keng Hooi [5]	1,804	675	–	900	229

Notes:
(1) Represents non-cash-component and comprises housing, car and club benefits.
(2) Director's fee attributable to Mr David Conner is paid to OCBC Bank.
(3) Mr Norman Ip was appointed as Director with effect from 5 March 2010.
(4) Professor Neo Boon Siong retired from the Board with effect from 15 April 2010.
(5) Mr Ng Keng Hooi resigned as Director and Group CEO with effect from 30 September 2010.

based on recommendations of GEH's Remuneration Committee. Details of options granted to GEH Optionholders are disclosed in the financial statements; details of the OCBC Scheme are set out in OCBC Bank's Annual Report.

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 Board members informed and updated, Management provides the Board with financials which contain financial updates on the performance and position of the Group on a monthly basis. The Board is also updated on any significant events that have occurred or affected 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.

G 11.8 **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, Mr Norman Ip and Tan Sri Dato' Dr Lin See-Yan. 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 Mr Norman Ip.

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 the co-operation of, and full access to, Management. The Audit Committee has full discretion to invite any Director or senior management executive to attend its meetings. It has resources to enable it to discharge its functions properly.

G 11.8 The functions performed by the Audit Committee and details of the Audit Committee's activities during the FY2010 included the following:

1. Reviewed with the internal and external auditors –

Corporate Governance Report

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 whereby staff of the Group may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. 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 five meetings in 2010, including one ad hoc meeting. 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 Group Chief Financial Officer, 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.

G 12.2 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 ("Group Audit") resides in-house and is independent of the activities it audits. Its terms of reference are approved by the Audit Committee. The primary line of reporting for the Head of Group Audit is to the Chairman of the Audit Committee, although the Head of Group Audit reports administratively to the Group CEO. The Group 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 Audit Department carried out audits on selected significant business units in the Group, including audit review of the IT systems. Group 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.

RISK AND INVESTMENT COMMITTEE AND RISK MANAGEMENT

The Risk and Investment Committee at the date of this report comprises five Directors. They are Mrs Fang Ai Lian (Chairman), Mr David Conner, Mr Norman Ip, Mr Koh Beng Seng and Mr Christopher Wei.

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 Management Team and Group Asset-Liability 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 seven meetings during the year (including one ad hoc meeting).

The Group's enterprise 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 at the date of this report comprises Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Mr David Conner, Mr Tan Yam Pin and Mr Christopher Wei.

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 scope of authority delegated by the Board and include the 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 six meetings during the year.

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.

Shareholders and the public can access the website of the Company for media releases, financial results 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 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 seek clarification 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.

Corporate Governance Report

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.

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 of 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

Interested person transactions ("IPTs") (excluding transactions of less than $100,000 each) carried out during the financial year under review:

Name of Interested Person	Aggregate value of IPTs (excluding transactions less than $100,000 and transactions listed in the exceptions pursuant to Rule 915 of Listing Manual)	Aggregate value of IPTs, conducted under shareholders' mandate pursuant to Rule 920 of Listing Manual
	$million	$million
e2Power Pte Ltd (subsidiary of OCBC Bank) – data centre facilities and rental expenses	0.5	NA
OCBC Property Services Pte Ltd – property management service level agreement	3.3	NA

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 31 December 2010, save as disclosed in the Directors' Report and in the financial statements for FY2010.

CODE OF CORPORATE GOVERNANCE 2005

Specific Principles and Guidelines in the Code for disclosure	Page Reference in Corporate Governance Report
Guideline 1.3 Delegation of authority by the Board to Board Committees, to make decisions on certain Board matters.	G1.3, Page 20
Guideline 1.4 The number of Board and Board Committee meetings held in the year, as well as the attendance of every Board member at these meetings.	G1.4, Page 20
Guideline 1.5 The type of material transactions that require Board approval under internal guidelines.	G1.5, Page 21
Guideline 2.2 Where the Company considers a Director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the Director's relationship and the reason for considering him as independent should be disclosed.	Not applicable
Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other.	G3.1, Page 23
Guideline 4.1 Composition of Nominating Committee.	G4.1, Page 23
Guideline 4.5 Process for the selection and appointment of new Directors to the Board.	G4.5, Page 23
Guideline 4.6 Key information regarding Directors, which Directors are executive, non-executive or considered by the Nominating Committee to be independent.	G4.6, Pages 22 and 24
Guideline 5.1 Process for assessing effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board.	G5.1, Page 24
Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to Directors and key executives, and performance.	P9, Pages 25 and 26
Guideline 9.1 Composition of Remuneration Committee.	G9.1, Page 25
Guideline 9.2 Names and remuneration of each Director. The disclosure of remuneration should be in bands of $250,000. There will be a breakdown (in percentage terms) of each Director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives.	G9.2, Page 26
Guideline 9.2 Names and remuneration of at least the top five key executives (who are not also Directors). The disclosure should be in bands of $250,000 and include a breakdown of remuneration.	G9.2, Page 26
Guideline 9.3 Remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceed $150,000 during the year. The disclosure should be made in bands of $250,000 and include a breakdown of remuneration.	G9.3, Page 26
Guideline 9.4 Details of employee share schemes.	G9.4, Page 26
Guideline 11.8 Composition of Audit Committee and details of the Committee's activities.	G11.8, Page 27
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.	G12.2, Page 28

As at 15 February 2011

Business Review Singapore

1. We were the first local insurer to launch a Universal Life plan.
2. Women continued to be a key segment.
3. Our agency force was once again ranked as the most productive among the major insurance companies.

Our Singapore insurance business, comprising Great Eastern Life Assurance Co Ltd (GELS) and Overseas Assurance Corporation Ltd, registered robust results in 2010. Total weighted new business premiums from life insurance business increased by 16% to S$383.8 million. Net profit from insurance operations attributable to shareholders amounted to S$252 million, underpinned by strong underwriting performance from good claims experience and strong growth in sales, in particular from the Regular Premium savings and protection business.

We maintained our market leadership position as the leading insurer and retained our pole position in bancassurance for the tenth successive year with S$149.8 million in total weighted premium. To cap a good year for GELS, Standard and Poor's, one of the world's leading providers of independent investment information, accorded it a credit rating of 'AA-', one of the highest accolades given to an insurer in Asia.

Product 'firsts'

Our strategy continued to centre on delivering superior customer value propositions. We were the first local insurer to launch a Universal Life plan in Singapore with *Prestige Legacy* and *PremierLife Heritage*. Our *Post-Surgical Care* was the first plan providing coverage for treatment of post-surgical complications while our *ElderShield Comprehensive* was the first in the market to offer an early trigger for payout upon the policyholder's inability to perform at least two activities of daily living.

During the year, the Central Provident Fund (CPF) Board tightened the criteria for funds participating in the CPF Investment Scheme. Majority of our funds passed the test and continue to be CPF-included which allowed our customers to continue to invest in these funds with greater confidence.

4. Our Red Covers brand campaign caught the eye of many passers-by.
5. The Simply Great card, targeted at corporations, received good response.
6. On target for another great year!

Expanding our business

We continued to strengthen our group insurance business through initiatives which included telemarketing campaigns for *Smart-Life* and *Credit-Wise*, a credit life protection plan, to OCBC Bank credit card customers. Our *SupremeCare Plan* gained traction among brokers and corporate clients with the current membership surpassing 25,000 and in-force premiums of above S$15 million. With the launch of GI eXchange, our customers and life planners can transact on-line any time of the day for their home, travel, motor and personal accident insurance needs.

Growing our distribution channel

Our agency force was once again the most productive. We grew the size of the force by 20% to 2,900 life planners, further strengthening our distribution capabilities. Regular training courses were held while our career development programmes provided opportunities for our agency leaders and life planners to grow with the company.

The Monetary Authority of Singapore introduced the Representative Notification Framework during the year to increase transparency and raise standards. With the framework, the public can access and verify professional details of all insurance representatives online.

Through our strategic partnership with OCBC Bank, we deepened and widened our reach to new customers and new market segments, which included the high net worth and the affluent.

Engaging our customers

Our Red Covers branding campaign enjoyed good consistent visibility across key platforms, including traditional and new media, which further elevated our brand presence. The Great Eastern red is now synonymous with 'protection' and 'peace of mind'. We ramped up our brand presence through event sponsorships such as the Great Eastern Women 10K, Asia's largest race for women; Great Eastern International Kids Performing Festival and the Great Eastern-Yeo's S.League.

Women and parents with young children continued to be key segments. We actively supported "Celebrate Wellness", a national programme to raise awareness on women's health and financial well-being, championed by women Members of Parliament and spearheaded by Mrs Lim Hwee Hua, Minister in the Prime Minister's Office and Second Minister for Finance and Transport. Our "It's Great to be a Woman!" campaign further focused on uplifting the roles of women and featured pink collaterals – from advertisements to MRT trains to Facebook and a dedicated website.

Corporations were another key area of focus. The Simply Great card which provides employees of member companies attractive benefits at shops and restaurants attracted high acceptance which, in turn, further expanded our customer base.

We added more services to E-Connect, our online policyholder self-help portal, and also enhanced our mobile internet portal, making it more convenient for our customers and life planners to access information from our website on-the-go. As part of our engagement strategy, emails were sent regularly to our 300,000 subscribers to update them on new products, promotions and major company developments.

Business Review Malaysia

1. GELM garnered the Reader's Digest Most Trusted Brand Award for the seventh consecutive year.
2. Service excellence continued to be the cornerstone of our operations.
3. The launch of our Takaful operations enabled us to better cater to the insurance needs of all Malaysians.

Great Eastern Life Assurance (Malaysia) Berhad (GELM) performed well in 2010. Total weighted new business increased over 10% compared with 2009. During the year, the company's asset size grew to RM49.3 billion, an increase of 13% from the previous year. For 2010, net profit attributable to shareholders amounted to RM426.6 million.

Launch of our Takaful business

A major milestone was the commencement of our Takaful operations in December. The Takaful business will be a key engine of growth for the Group in the region's predominantly Muslim countries – Malaysia, Indonesia and Brunei.

Our Takaful operations will be driven by Great Eastern Takaful Sdn Bhd (GETSB), a joint venture company between I Great Capital Holdings Sdn Bhd and Koperasi Angkatan Tentera (M) Berhad. The launch of GETSB was graced by Yang Berhormat Mejar Jeneral Dato' Seri Jamil Khir Bin Baharom, Minister in the Prime Minister's Office.

GETSB has adopted a *Takaful for All* strategy targeting all Malaysians, both Muslims and non-Muslims. It will leverage the 17,000 agents from GELM's established distribution channel, as well as recruit more bumiputera agents to effectively penetrate the market. In support of Bank Negara Malaysia's aim to make Malaysia an international Islamic financial hub, and to mark the launch of our Takaful operations, GETSB sponsored RM1 million to the International Centre for Education in Islamic Finance to fund its talent development and research programmes for the development of Malaysia's Takaful industry.

4. StarBuddy enhanced our capabilities to better serve our customers.
5. Our Smart For Life Tea Talks generated awareness on the importance of medical protection and healthy living.

Expanding our business

Overseas Assurance Corporation Malaysia Berhad (OACM), the general insurance arm of GELM, also enjoyed a good year, strengthening its position with the acquisition of Tahan Insurance Malaysia Berhad's general insurance business. Total gross written premium income for the year amounted to RM263.9 million, an increase of 18.2%. Overall underwriting profit was RM29.1 million, up substantially from RM19.3 million the previous year. Net profit after tax was RM35.7 million.

Agency sales of Regular Premium Investment-Linked Plans (ILP) grew a massive 60% compared with 2009. This was a result of adopting a long-term strategy to increase penetration in under-tapped market segments, making key changes within the agency structure to sharpen performance in both sales and recruitment, and the setting up of the Strategic Business Development Unit to spearhead product enhancement and development and provide specialised training and business support.

Products launched during the year included *Smart Early Payout CriticalCare*, the first in Malaysia to pay at early diagnosis of a critical illness; *Elite Builder* and *Great IncomeEnhancer*.

We also focused on growing the profitable Employee Benefits business and the GMBIS Investment-Linked Scheme. Group Insurance registered 9% total weighted premium growth in 2010. We also launched *SmartPartners* which tapped on opportunities arising from referrals from our key business units.

Our bancassurance strategic partnership with OCBC Bank performed extremely well and registered a significant growth of 111% in total weighted premiums. Enhancements were made to Single Premium MRTA (Mortgage Reducing Term Assurance) products, while new Regular Premium products were introduced to cater to specific segments of bank customers. These included *MaxVantage*, *MaxAdvance*, and the Comprehensive Personal Accident and Hospital Benefit Riders. We launched a Universal Life product, *Premium Heritage*, targeted at high net worth customers of OCBC Bank.

Expanding our customer base

Recognising the importance of customer engagement, we organised regular activities during the year. Smart For Life Tea Talks were held across Malaysia to educate the public on healthy living and the importance of financial planning. For tech-savvy customers, we included the CHAT online financial analysis tool on our corporate website and promoted it via MSN, Yahoo and Facebook.

On the customer relationship management front, we leveraged our huge database to cross-sell and up-sell to our policyholders, generating 20% of new business premium. The introduction of StarBuddy, an online smart tool, has enabled the field force to not only improve their work processes but also enhanced their engagement level with customers.

Improving risk management

During the year, steps were taken to strengthen the risk governance framework and align them with the Group. The Enterprise Risk Dashboard was enhanced to capture more information on GELM's risk profile and new reports were added to facilitate monitoring. The Compliance Requirements Self-Assessment was also introduced to assist departments to assess the effectiveness of their own compliance controls procedures.

Business Review
Indonesia, China, Vietnam and Brunei

1. Official opening of GELC's Sichuan branch office in Chengdu.
2. GELV clinched the prestigious Golden Dragon Award.
3. It was a red-letter day for the Great Eastern family when Singapore's Prime Minister Lee Hsien Loong and Mrs Lee visited our Chongqing office.

In tandem with our strategy to grow Great Eastern into an Asian MNC, we expanded our footprint in Indonesia, China and Vietnam and made good progress in these markets. Our multi-pronged strategy which combined growing the size and productivity of the agency forces, developing our bancassurance capabilities, increasing our suite of products, enhancing infrastructure and putting in place robust frameworks for corporate governance proved effective.

Total weighted new sales from Indonesia, China and Vietnam registered S$50.1 million compared with S$13.1 million in 2009.

Indonesia
Our Indonesian subsidiary, PT Great Eastern Life Indonesia (GELIndo), saw robust growth in both the agency and bancassurance channels. We systematically grew the Great Eastern brand which is now in all the major cities. Our reward was an impressive seven-fold growth in regular premium business.

During the year, we launched our Red Covers advertising campaign across multiple platforms, including out-of-home media such as billboards in Surabaya, Batam and Medan and online and print media. The campaign, which targeted families and young adults, further boosted our brand presence. On the service delivery front, customers can now make payments through automated teller machines and access policy information at any time through the SMS Interactive System and E-Connect portal.

A large percentage of Indonesia's 240 million population is under-insured and affluence is on the rise. We will build on our enhanced distribution channels, product mix and the strength of our brand to grow more effectively in this market.

4. GELIndo and Bank OCBC NISP launched *MaxTerm Payback*, an innovative limited-pay life insurance product.
5. High performing life planners from GELIndo were rewarded with an exciting trip to Singapore.
6. Our customers in Vietnam were treated to a great evening to thank them for their support.

China
China remains an attractive market for the Group. Our China operations registered 60% growth in new business, almost double compared with 2009. Through Great Eastern Life China (GELC), a joint venture between Great Eastern Life and Chongqing Land Property, we operate in three provinces in China – Chongqing, Sichuan and Shaanxi. This relatively untapped "Western Triangle" has a combined population of about 150 million, and presents exciting opportunities and challenges. Our Shaanxi office will serve as a centre for the development of innovative training programmes for our distribution channels as well as recruitment initiatives to support our future expansion in China.

We celebrated two significant milestones during the year. The first was the official opening of our Sichuan branch office in Chengdu in January. In September, we welcomed Prime Minister Lee Hsien Loong and Mrs Lee to our GELC headquarters in Chongqing.

The insurance landscape in China is fast-changing, in particular, the bancassurance sector which is poised to undergo significant changes with the introduction of new regulations and the trend of more banks entering the insurance industry directly. While these will pose challenges for us, we remain resolute in pursuing our strategy which has served us well and enabled us to respond to changes and seize opportunities to deepen and widen our penetration.

Vietnam
The Group's wholly owned subsidiary, Great Eastern Life (Vietnam) Co Ltd (GELV), marked its second year of operations in Hanoi and Ho Chi Minh City.

Our strategy was to capitalise on the reputational and financial strength of the Great Eastern brand to create a superior and differentiated customer experience that will give us a competitive advantage. We invested in infrastructure to enhance our service delivery capabilities and strengthened our agency channel which resulted in increasing agent productivity by eight-fold.

We positioned ourselves as the insurer of choice for children, youths and high net worth segments and in the area of medical and health insurance. This guided our branding, marketing and product initiatives during the year. We focused on developing relationships with parents and organised activities centred on social and talent development for children in addition to workshops on education and healthcare.

GELV garnered the Golden Dragon Award from the Vietnam Economic Times and the Ministry of Planning & Investment in recognition of our economic contributions and corporate social responsibility efforts in Vietnam.

Brunei
Our strategy focused on building our distribution capabilities. Younger life planners were recruited and we grew our agency force by 25%. For the fourth successive year, we maintained pole position in the competitive bancassurance business with a 53.3% market share.

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 economic 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 that will make the policy profitable overall. The loss in the first year is due to the initial expenses of writing new business, combined with the need to meet capital 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 capital requirements attributable to shareholders, from the In-Force Business at the valuation date, i.e. 31 December 2010. 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 meeting capital requirements 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 bases and capital requirements are based on the Risk Based Capital framework and minimum Capital Adequacy Requirement bases required by local regulations for Singapore and Malaysia.

In Singapore, the Group's asset management company Lion Global Investors Ltd ("LGI") manages a proportion of the Singapore Life Funds' assets for which fees are payable from each Fund. In line with generally accepted traditional embedded valuation methodologies in respect of services provided by asset management companies, the present value of benefits arising from the fees paid to LGI is included in the embedded value and new business value of the Group for the year ended 31 December 2010.

Adjusted Shareholders' Funds

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 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 6.0%, 5.1% 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

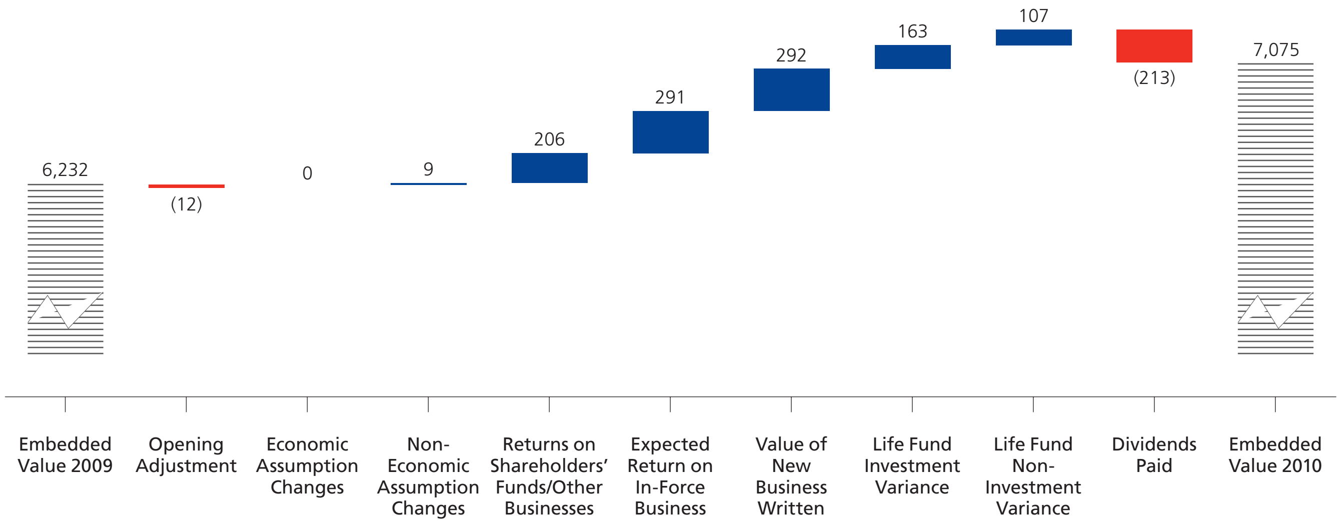
The value of In-Force Business has been calculated for the life insurance business of GEL and OAC in Singapore and GELM in Malaysia, along with the adjusted Shareholders' Funds for the Group. The results of the calculations as at 31 December 2010 are shown in Table 1.

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 is used to determine the estimated value of future distributable profits from new sales. Using the same best estimate, reserving and capital requirements assumptions as those used for the In-Force Business, the economic value of business written for the year ended 31 December 2010 has been calculated as shown in Table 2.

Analysis of Change in Embedded Value (S$millions)

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 2009 analysis results.



2010	**6,232**	**(12)**	**0**	**9**	**206**	**291**	**292***	**163**	**107**	**(213)**	**7,075**
2009	5,788	(41)	(63)	(25)	14	236	235	122	65	(99)	6,232

* Excludes economic value of one year's new business from the Group's regional operations in Brunei, China, Indonesia and Vietnam.

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. Ernst & Young performed a review of the methodology used (based on the traditional deterministic embedded value reporting approach), the assumptions adopted, and performed a high level review of the results of the Group's calculations.

Scenario Testing

In addition, some scenario tests were conducted using different interest and discount rates. The results are summarised in Table 3.

Table 1:

Embedded Value (S$millions)	Singapore	Malaysia	Total
Life Business			
Value of In-Force Business	1,894	1,659	3,553
Shareholders' Funds and Non-Life Business			
Adjusted Shareholders' Funds	3,192*	330^	3,522
Total Embedded Value	5,086	1,989	7,075

* Includes businesses in Brunei, China, Hong Kong, Indonesia, Sri Lanka and Vietnam.
^ Includes Great Eastern Takaful Sdn Bhd.

Table 2:

Value (S$millions)	Singapore	Malaysia	Other Asia*	Total
Economic Value of One Year's New Business	163	129	13	305

* The Group's regional operations in Brunei, China, Indonesia and Vietnam.

Table 3:

Value (S$millions)	Base Scenario	Investment +0.50% Discount Rate +1%	Investment -0.50% Discount Rate -1%
Total Embedded Value	7,075	7,001	7,143
Economic Value of One Year's New Business	305	288	322

Corporate Social Responsibility

1. GELV collaborated with Sympameals and the Golden Heart Fund to provide free meals for needy patients.
2. Sunny Lion and friends at the 2010 season kick-off of the Great Eastern-Yeo's S.League.
3. The Great Eastern Women 10K raised funds for several causes.
4. The Pink Couture bag proved a big hit and raised RM75,000 for the Breast Cancer Welfare Association.

5. GELC sponsored a children's talent competition in Chongqing.
6. Employees and life planners from GELIndo brought cheer to children at an orphanage.
7. Hair for Hope – shaving for a good cause.

Great Eastern is committed to make meaningful contributions to the communities we serve and to make a positive difference. Annually, our employees and life planners volunteer their time to support and participate in a milieu of community causes, chiefly those benefiting children, the elderly and women. Our founding values of integrity, involvement and promoting meaningful relationships continued to be at the heart of everything we do and steered our corporate social responsibility initiatives.

Caring for the young and old

In Singapore, since the inception of our ChildrenCare and GoldenCare programmes, we have raised over S$9.4 million for the Community Chest which helps 72 charities and over 320,000 beneficiaries. In Malaysia, we raised more than RM1.5 million for 120 children homes since the inception of the ChildrenCare programme there while in Indonesia, we supported orphanages and homes for the aged.

Investing in education

We firmly believe that education is the key to prepare our next generation for socio-economic success. In Singapore, we established the Great Eastern-Howe Yoon Chong Bursary in 2008 with a gift of S$500,000 to the National University of Singapore to help 10 financially needy undergraduates further their education. In 2010, the number of bursaries increased to 20 with the dollar-for-dollar matching grant from the Ministry of Education. In Malaysia, since 1998, we have disbursed RM3 million in scholarships to deserving students under our Great Eastern Supremacy Scholarship programme.

In China, we sponsored awards for academic excellence in Chongqing University while in Indonesia, we were the main sponsor for the Insurance Goes to Campus programme. Our Great Eastern International Kids Performing Festival in Singapore provided opportunities for the young to learn about music, nurture their appreciation of the arts and provided a platform for families to spend quality time together. For the first time, five of the world's most talented young musical prodigies from Australia, Canada, USA and Singapore performed together on a single stage.

Championing sports

At Great Eastern, we believe in promoting a healthy lifestyle and building meaningful relationships, two pillars of our "Making Life Great!" philosophy. We were the title sponsor for two of the most popular sports in Singapore – running and football. Our Great Eastern Women 10K has developed into a signature event in the local sports calendar and is Asia's largest women-only run. The event attracted over 12,000 women of all ages and raised funds for the Breast Cancer Foundation and the Singapore University of Technology and Design. Weekly, the Great Eastern-Yeo's S.League attracts ardent football fans who watch the sport "live" at the stadium or over television.

Helping the community

To commemorate their 36th anniversary, members of the Great Eastern Life Planners Association (GELPA), as well as Great Eastern employees, had their heads shaved to promote awareness for children with cancer and raised over S$52,000 for the Singapore Children Cancer Foundation. In Malaysia, we collaborated with a major hospital to raise RM75,000 for the Breast Cancer Welfare Association from the sale of 3,000 reusable shopping bags designed by a renowned local fashion designer.

In Vietnam, funds were raised to provide free meals for needy patients at two cancer hospitals in Hanoi and Ho Chi Minh City while free medical examinations and aid were extended to impoverished residents of Binh Chanh Province in Ho Chi Minh City. Our employees and life planners contributed to flood relief efforts in Central Vietnam which we matched dollar-for-dollar. We were among the first to donate to disaster relief efforts when an earthquake struck Yushu in China.

Human Capital

1. Celebrating hand-in-hand the Tanglung and Raya Carnival.
2. Our "Making Life Great!" workshops were conducted off-site for the first time.
3. Pulling together to achieve more!
4. Star service from the heart.

5. As a team, we can excel!
6. It's great to be part of a winning organisation.
7. Promoting work-life balance for employees.

At Great Eastern, we value our people resources and recognise that they make the ultimate difference in the success of our business. Over the years, a wide suite of programmes has been put in place to help every employee realise his or her fullest potential. In our quest to build a strong Asian MNC, our human capital strategy centres around three main thrusts: creating a great corporate culture, talent management and competitive compensation and benefits.

Building a great corporate culture

Our Human Capital strategy revolves around building a strong organisational culture as well as a conducive environment to bring out the best in each employee. We place priority on building employee engagement and organised initiatives and activities throughout the year around the "Making Life Great!" theme.

Our signature "Making Life Great!" workshops are forums for employees to share and exchange ideas as well as contribute suggestions to improve the work environment. Following the success in Singapore and Malaysia, the workshops will be rolled out to the region in phases.

As part of our engagement strategy, we regularly monitor and measure employee satisfaction as we firmly believe that this is critical to the continued success of the company. Our employee engagement score remains ahead of the industry average not only locally but in the Asia Pacific.

Talent management strategy

A key area of focus was identifying outstanding talent, internal and external, to reinforce our bench strength and support our growth to ensure we have a ready talent pool within the organisation to grow the business in years to come.

Our talent management framework includes key platforms such as Talent Review Committees to identify and develop talent and this is augmented by regular Leadership Review conversations between country CEOs and senior management team members to establish career development plans for those identified under this scheme. The inaugural "Developing the Leader in You" programme in Singapore and Malaysia was launched to nurture talent across the Group. Selected employees were posted to our regional offices to widen their exposure and gain greater insights into the business. One such successful initiative was our 'Guest Auditor' programme where these employees are posted to other departments to conduct 'internal audits'. This helps them acquire critical thinking skills and understand the business units better which is important for their development as potential leaders in the company. Young talents were also seconded to OCBC Bank to broaden their exposure and learn new skills.

Rewarding good performance

We constantly drive a culture of high performance in Great Eastern. Employees at all levels are rewarded with comprehensive and competitive compensation and benefits based on performance. The performance review process was enhanced to include the nomination of talents as part of efforts to reward good performance and recognise high potential. To ensure that we remain competitive, we conducted a comprehensive review of employee benefits. Measures were taken to enhance and align these benefits across the region.

Our Labour-Management relations continued to be strong and we proactively engaged Union officials on wide-ranging issues.

Cultivating employee service excellence

Under the Building Emotional Engagement (BEE) Programme, all employees, from back-room support, to front-line, to heads of department, were trained to deliver superior service to customers, both internal and external. To inculcate the ethos of service excellence in all employees across the Group, we extended our BEE programme to Malaysia and the programme will be introduced to our emerging markets in phases.

Year in Review
Highlights

1. Mrs Fang Ai Lian, Chairman of Great Eastern Holdings, extended a warm welcome to Singapore's Prime Minister Mr Lee Hsien Loong in Chongqing.
2. To mark the launch of GETSB, RM1 million was donated to the International Centre for Education in Islamic Finance for the development of the Takaful industry.
3. Groundbreaking ceremony of Great Eastern and OCBC Bank's retail, hotel and office development at Orchard Road.
4. A proud moment for GELIndo.

January
- Official opening of GELC's Sichuan branch office in Chengdu.
- GELV clinched the Golden Dragon Award.

February
- We extended the Building Emotional Engagement (BEE) Programme to Malaysia.

March
- Lion Global Investors garnered 14 awards at The Edge-Lipper Singapore and Taiwan Fund Awards.
- GELM clinched two BrandLaureate Awards.

April
- The data centres in Singapore and Malaysia were re-located to our Regional Data Centre in Cyberjaya, Malaysia.

May
- We garnered double gold in the Reader's Digest Most Trusted Brand Award for the insurance category for Singapore and Malaysia.
- The Great Eastern International Kids Performing Festival kicked off.

June
- Achievers Nite 2010 honoured the top performing life planners in Singapore. Ms Shenile Teo was the first woman to win the coveted Top Director Award in Great Eastern's 102-year history.

July
- OCBC Bank, Great Eastern Holdings and United Engineers held a groundbreaking ceremony for an iconic retail, hotel and office landmark on Orchard Road.
- We were the first local insurer to launch a Universal Life plan in Singapore.

August
- Great Eastern turned 102.
- OACM received Bank Negara Malaysia's approval to acquire the general insurance business of Tahan Insurance (Malaysia) Berhad.
- GELIndo received an award from Infobank Magazine for being one of the best performing companies in its category.

September
- Singapore's Prime Minister Mr Lee Hsien Loong visited our GELC office in Chongqing.
- Bank Negara Malaysia awarded Great Eastern a family Takaful licence.
- GELM launched *Smart Early Payout Critical Care*, the first plan in Malaysia to pay at the early stages of a critical illness.

October
- I Great Capital Holdings Sdn Bhd signed an agreement with Koperasi Angkatan Tentera Malaysia Berhad to form Great Eastern Takaful Sdn Bhd.
- The Great Eastern Women 10K, Asia's largest women-only run, attracted over 12,000 runners.

November
- GELM topped the insurance category in Malaysia's 100 Leading Graduate Employers Award.

December
- Official launch of Great Eastern Takaful Sdn Bhd.
- Standard & Poor's Ratings Service assigned GELS the financial strength and counterparty ratings of 'AA–', one of the highest ratings given to an insurer in Asia.
- We acquired a 5% stake in China International Capital Corporation.

Financial Statements

Contents

Directors' Report

The Directors have pleasure in presenting their report to the members together with the audited consolidated financial statements of Great Eastern Holdings Limited ("GEH" or the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2010.

1. DIRECTORS

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

Mrs Fang Ai Lian, *Chairman*
Mr Christopher Wei, *Group Chief Executive Officer* (appointed on 10 February 2011)
Dr Cheong Choong Kong
Mr David Conner
Mr Norman Ip (appointed on 5 March 2010)
Mr Koh Beng Seng
Mr Lee Seng Wee
Mr Lee Chien Shih
Tan Sri Dato' Dr Lin See-Yan
Mr Tan Yam Pin

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.

Mr Christopher Wei, who was appointed in accordance with Article 97 of the Company's Articles of Association, will retire at the forthcoming AGM of the Company in accordance with the provisions of that Article and, being eligible, will offer himself for re-election at the AGM.

Mr Lee Seng Wee, Tan Sri Dato' Dr Lin See-Yan and Mr Tan Yam Pin will retire pursuant to section 153 of the Companies Act, Chapter 50 (the "Companies Act") at the forthcoming AGM of the Company. Resolutions will be proposed at the forthcoming AGM of the Company for their 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 in, or debentures of, the Company as at the end of the financial year and as at 21 January 2011. 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 1.1.2010 or date of appointment	**As at 31.12.2010**	As at 1.1.2010 or date of appointment	**As at 31.12.2010**
(i)	***Ordinary shares in the capital of OCBC Bank***				
	Mrs Fang Ai Lian	–	**6,222**	–	**–**
	Dr Cheong Choong Kong	165,923	**172,063**	10,074 (1)	**10,447 (1)**
	Mr David Conner	1,333,094	**1,580,281**	778,967 (2)	**1,530,811 (3)**
	Mr Norman Ip	3,147	**3,263**	–	**–**
	Mr Lee Seng Wee	6,988,447	**7,253,265**	4,094,223 (1)	**4,245,723 (1)**
	Mr Lee Chien Shih	1,859,608	**1,928,420**	–	**–**
(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 Norman Ip	2,000	**2,000**	–	**–**
	Mr Lee Seng Wee	800,000	**800,000**	600,000 (1)	**600,000 (1)**
	Mr Lee Chien Shih	176,000	**176,000**	–	**–**
(iii)	***5.1% non-cumulative non-convertible Class B preference shares in OCBC Bank***				
	Mrs Fang Ai Lian	1,700	**1,700**	–	**–**
	Mr Tan Yam Pin	–	**–**	2,000 (1)	**2,000 (1)**
(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	**10,000**	–	**–**

Notes

(1) Held by spouse.

(2) Comprises deemed interest in 773,521 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 5,446 ordinary shares granted under the OCBC Employee Share Purchase Plan.

(3) Comprises deemed interest in 1,050,485 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan, subscription rights over 9,560 ordinary shares granted under the OCBC Employee Share Purchase Plan and 470,766 ordinary shares awarded under the employment contract.

Directors' Report

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

(vi) Share options

According to the register of Directors' shareholdings, as at the beginning and as at the end of the financial year, 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 1.1.2010	**As at 31.12.2010**	As at 1.1.2010	**As at 31.12.2010**
Dr Cheong Choong Kong	1,077,758	**1,311,485**	–	**–**
Mr David Conner	3,053,000	**2,333,000**	–	**–**

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.

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, save as disclosed in this report, and except for employment remuneration/benefits received by the Company's former Group Chief Executive Officer as disclosed in the financial statements, and further 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. This agreement was renewed on 1 December 2008 and came into effect on 1 July 2009. Under the respective agreements, (i) in respect of the financial year ended 31 December 2010, Dr Cheong has received payments and benefits amounting to $1,118,993 and will receive a variable bonus of $100,000, or any additional bonus as may be determined by the Remuneration Committee and the Board of Directors of OCBC Bank, and (ii) in respect of the financial year ended 31 December 2009, Dr Cheong has received aggregate payments and benefits of $1,109,478 and a variable bonus of a total amount of $1,200,000, comprising a bonus of $100,000 and an additional bonus of $1,100,000.

In his capacity as a non-executive Director of GEH and one of GEH's subsidiaries, Dr Cheong receives Directors' fees and the amount of his Directors' fees for the financial year ended 31 December 2010 has been included in the total amount of Directors' remuneration disclosed in the Corporate Governance Section of the Annual Report. 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.

Directors' Report

5. SHARE OPTIONS

The Company does not have any share option scheme in place.

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, Mr Norman Ip and Tan Sri Dato' Dr Lin See-Yan. The AC convened five 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 2010.

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

TAN YAM PIN
Director

Singapore
15 February 2011

Statement by Directors

Pursuant to Section 201(15)

We, Fang Ai Lian and Tan Yam Pin, 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 2010, the profit and loss statements, the statements of changes in equity and the statements of comprehensive income 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 2010 and the results, 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

TAN YAM PIN
Director

Singapore
15 February 2011

Independent Auditors' Report

To the Members of Great Eastern Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Great Eastern Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 52 to 148, which comprise the balance sheets of the Group and of the Company as at 31 December 2010, the profit and loss statements, the statements of changes in equity of the Group and of the Company and the statements of comprehensive income 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 of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for 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 accounts and balance sheets and to maintain accountability of assets.

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 about 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 of the financial statements that give a true and fair view 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, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company 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 2010 and the results, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, 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
15 February 2011

Profit & Loss Statements

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group 2010	Group 2009	Company 2010	Company 2009
Gross Premiums		**6,155.8**	5,833.6	**–**	–
Life assurance profit from:					
Participating Fund		**103.8**	96.2	**–**	–
Non-participating Fund		**239.5**	505.4	**–**	–
Investment-linked Fund		**93.9**	125.1	**–**	–
Profit from life assurance		**437.2**	726.7	**–**	–
Profit from general insurance		**22.8**	25.2	**–**	–
Profit from insurance operations		**460.0**	751.9	**–**	–
Dividend from subsidiaries		**–**	–	**409.8**	23.8
Investment income, net	4	**94.3**	89.0	**–**	0.2
Gain on sale of investments and changes in fair value	5	**56.9**	12.6	**–**	–
Increase in provision for impairment of assets		**(4.0)**	(16.2)	**–**	–
(Loss)/gain on exchange differences		**(2.9)**	0.7	**–**	–
Loss on redemption of GreatLink Choice	8	**–**	(213.3)	**–**	–
Profit/(loss) from investments in Shareholders' Fund		**144.3**	(127.2)	**409.8**	24.0
Fees and other income		**69.1**	63.7	**–**	–
Profit before expenses		**673.4**	688.4	**409.8**	24.0
less:					
Management and other expenses		**66.3**	64.7	**6.7**	6.6
Depreciation		**1.6**	1.6	**0.1**	0.1
Expenses		**67.9**	66.3	**6.8**	6.7
Profit after expenses		**605.5**	622.1	**403.0**	17.3
Share of profit after income tax of associates		**0.1**	0.6	**–**	–
Share of loss after income tax of joint ventures		**(5.6)**	(6.2)	**–**	–
Profit before income tax		**600.0**	616.5	**403.0**	17.3
Income tax		**(83.7)**	(91.9)	**(0.1)**	–
Profit after income tax		**516.3**	524.6	**402.9**	17.3
Attributable to:					
Shareholders		**507.2**	516.7	**402.9**	17.3
Non-controlling interests		**9.1**	7.9	**–**	–
		516.3	524.6	**402.9**	17.3
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)	10	**$1.07**	$1.09		

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

Statements of Comprehensive Income

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group 2010	Group 2009	Company 2010	Company 2009
Profit after income tax for the year		**516.3**	524.6	**402.9**	17.3
Other comprehensive income:					
Exchange differences arising on translation of overseas entities		**9.9**	(13.9)	**–**	–
Share of currency translation reserves of associates and joint ventures		**(4.2)**	1.8	**–**	–
Available-for-sale financial assets:					
Changes in fair value		**175.1**	182.2	**–**	–
Reclassification of realised loss on disposal and impairment to Profit and Loss Statement	5	**16.5**	2.7	**–**	–
Tax on changes in fair value		**(33.6)**	(33.3)	**–**	–
Effect of reduction in tax rate on other comprehensive income		**–**	(1.2)	**–**	–
Other comprehensive income for the year, after tax		**163.7**	138.3	**–**	–
Total comprehensive income for the year		**680.0**	662.9	**402.9**	17.3
Total comprehensive income attributable to:					
Shareholders		**670.7**	654.5	**402.9**	17.3
Non-controlling interests		**9.3**	8.4	**–**	–
		680.0	662.9	**402.9**	17.3

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

Balance Sheets – Group

as at 31 December

in Singapore Dollars (millions)	Note	Group: Total 2010	Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009
Share capital	11	**247.4**	247.4	**247.4**	247.4	**–**	–
Reserves							
Currency translation reserve	12	**(32.3)**	(38.0)	**(32.3)**	(38.0)	**–**	–
Fair value reserve	12	**225.3**	67.5	**225.3**	67.5	**–**	–
Accumulated profit		**3,583.6**	3,289.4	**3,583.6**	3,289.4	**–**	–
SHAREHOLDERS' FUND		**4,024.0**	3,566.3	**4,024.0**	3,566.3	**–**	–
NON-CONTROLLING INTERESTS		**35.0**	26.7	**35.0**	26.7	**–**	–
TOTAL EQUITY		**4,059.0**	3,593.0	**4,059.0**	3,593.0	**–**	–
LIABILITIES							
Insurance payables	13	**2,372.6**	2,206.9	**17.5**	13.7	**2,355.1**	2,193.2
Other creditors and interfund balances	14	**1,892.1**	1,865.8	**250.0**	391.3	**1,642.1**	1,474.5
Unexpired risk reserve	15	**97.1**	79.5	**97.1**	79.5	**–**	–
Derivative financial liabilities	22	**25.9**	46.6	**0.1**	0.4	**25.8**	46.2
Income tax		**382.2**	299.1	**90.3**	91.5	**291.9**	207.6
Provision for agents' retirement benefits	7	**216.2**	192.0	**–**	–	**216.2**	192.0
Amount due to joint venture	20	**0.3**	–	**0.3**	–	**–**	–
Deferred tax	9	**949.8**	766.3	**105.9**	50.1	**843.9**	716.2
General insurance fund	16	**109.9**	95.5	**109.9**	95.5	**–**	–
Life assurance fund	17	**43,267.9**	39,386.5	**–**	–	**43,267.9**	39,386.5
TOTAL EQUITY AND LIABILITIES		**53,373.0**	48,531.2	**4,730.1**	4,315.0	**48,642.9**	44,216.2
ASSETS							
Cash and cash equivalents		**2,830.4**	3,215.9	**378.0**	486.4	**2,452.4**	2,729.5
Other debtors and interfund balances	18	**1,788.7**	1,835.1	**1,197.5**	1,254.4	**591.2**	580.7
Insurance receivables	19	**2,519.3**	2,454.9	**92.5**	80.1	**2,426.8**	2,374.8
Amount due from joint venture	20	**–**	5.9	**–**	0.1	**–**	5.8
Loans	21	**1,579.7**	1,932.5	**9.8**	52.7	**1,569.9**	1,879.8
Derivative financial assets	22	**523.1**	322.8	**4.4**	1.2	**518.7**	321.6
Investments	23	**41,693.0**	36,558.9	**2,939.1**	2,318.3	**38,753.9**	34,240.6
Associates and joint ventures	24	**337.2**	323.9	**85.4**	98.0	**251.8**	225.9
Goodwill	26	**18.7**	18.7	**18.7**	18.7	**–**	–
Investment properties	27	**1,355.4**	1,118.9	**–**	–	**1,355.4**	1,118.9
Property, plant and equipment	28	**727.5**	743.7	**4.7**	5.1	**722.8**	738.6
TOTAL ASSETS		**53,373.0**	48,531.2	**4,730.1**	4,315.0	**48,642.9**	44,216.2

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

Balance Sheets – Company

as at 31 December

in Singapore Dollars (millions)	Note	Company 2010	Company 2009
Share capital	11	**247.4**	247.4
Reserves			
Merger reserve	12	**419.2**	419.2
Accumulated profit		**843.5**	653.6
TOTAL EQUITY		**1,510.1**	1,320.2
LIABILITIES			
Other creditors and interfund balances	14	**7.1**	5.9
TOTAL EQUITY AND LIABILITIES		**1,517.2**	1,326.1
ASSETS			
Cash and cash equivalents		**8.8**	11.1
Income tax		**0.8**	0.3
Amounts due from subsidiaries	20	**830.1**	678.9
Subsidiaries	25	**677.3**	635.5
Property, plant and equipment		**0.2**	0.3
TOTAL ASSETS		**1,517.2**	1,326.1

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						
		Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit [1]	Total	Non-Controlling Interests	Total Equity
Balance at 1 January 2010		247.4	(38.0)	67.5	3,289.4	3,566.3	26.7	3,593.0
Profit for the year		–	–	–	507.2	507.2	9.1	516.3
Other comprehensive income								
Exchange differences arising on translation of overseas entities		–	9.9	–	–	9.9	–	9.9
Share of currency translation reserves of associates and joint ventures		–	(4.2)	–	–	(4.2)	–	(4.2)
Available-for-sale financial assets:								
Changes in fair value		–	–	174.9	–	174.9	0.2	175.1
Reclassification of realised loss on disposal and impairment to Profit and Loss Statement		–	–	16.5	–	16.5	–	16.5
Tax on changes in fair value		–	–	(33.6)	–	(33.6)	–	(33.6)
Other comprehensive income for the year, after tax		–	5.7	157.8	–	163.5	0.2	163.7
Total comprehensive income for the year		–	5.7	157.8	507.2	670.7	9.3	680.0
Contributions by and distributions to shareholders								
Dividends paid during the year:								
Final and special final tax exempt (one-tier) dividends for the previous year	35	–	–	–	(165.7)	(165.7)	–	(165.7)
Interim tax exempt (one-tier) dividend	35	–	–	–	(47.3)	(47.3)	–	(47.3)
Dividends paid to non-controlling interests		–	–	–	–	–	(13.4)	(13.4)
Total contributions by and distributions to shareholders		–	–	–	(213.0)	(213.0)	(13.4)	(226.4)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Increase in non-controlling interests on incorporation of new subsidiary		–	–	–	–	–	12.4	12.4
Total changes in ownership interests in subsidiaries		–	–	–	–	–	12.4	12.4
Total transactions with shareholders in their capacity as shareholders		–	–	–	(213.0)	(213.0)	(1.0)	(214.0)
Balance at 31 December 2010		247.4	(32.3)	225.3	3,583.6	4,024.0	35.0	4,059.0

[1] Included in Accumulated Profit are non-distributable reserves of $973.5 million (2009: $820.3 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 33 for more details.

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	Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit (1)	Total	Non-Controlling Interests	Total Equity
		Attributable to shareholders of the Company						
Balance at 1 January 2009		247.4	(25.9)	(82.4)	2,872.1	3,011.2	28.5	3,039.7
Profit for the year		–	–	–	516.7	516.7	7.9	524.6
Other comprehensive income								
Exchange differences arising on translation of overseas entities		–	(13.9)	–	–	(13.9)	–	(13.9)
Share of currency translation reserves of associates and joint ventures		–	1.8	–	–	1.8	–	1.8
Available-for-sale financial assets:								
Changes in fair value		–	–	181.3	–	181.3	0.9	182.2
Reclassification of realised loss on disposal and impairment to Profit and Loss Statement		–	–	2.7	–	2.7	–	2.7
Tax on changes in fair value		–	–	(32.9)	–	(32.9)	(0.4)	(33.3)
Effect of reduction in tax rate on other comprehensive income		–	–	(1.2)	–	(1.2)	–	(1.2)
Other comprehensive income for the year, after tax		–	(12.1)	149.9	–	137.8	0.5	138.3
Total comprehensive income for the year		–	(12.1)	149.9	516.7	654.5	8.4	662.9
Contributions by and distributions to shareholders								
Dividends paid during the year:								
Final tax exempt (one-tier) dividends for the previous year	35	–	–	–	(75.7)	(75.7)	–	(75.7)
Interim tax exempt (one-tier) dividend	35	–	–	–	(23.7)	(23.7)	–	(23.7)
Dividends paid to non-controlling interests		–	–	–	–	–	(10.2)	(10.2)
Total contributions by and distributions to shareholders		–	–	–	(99.4)	(99.4)	(10.2)	(109.6)
Total transactions with shareholders in their capacity as shareholders		–	–	–	(99.4)	(99.4)	(10.2)	(109.6)
Balance at 31 December 2009		247.4	(38.0)	67.5	3,289.4	3,566.3	26.7	3,593.0

(1) Included in Accumulated Profit are non-distributable reserves of $973.5 million (2009: $820.3 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 33 for more details.

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 Equity
Balance at 1 January 2010		**247.4**	**419.2**	**653.6**	**1,320.2**
Profit for the year		**–**	**–**	**402.9**	**402.9**
Total comprehensive income for the year		**–**	**–**	**402.9**	**402.9**
Contributions by and distributions to shareholders					
Dividends paid during the year:					
Final and special final tax exempt (one-tier) dividends for the previous year	35	**–**	**–**	**(165.7)**	**(165.7)**
Interim tax exempt (one-tier) dividend	35	**–**	**–**	**(47.3)**	**(47.3)**
Total contributions by and distributions to shareholders		**–**	**–**	**(213.0)**	**(213.0)**
Total transactions with shareholders in their capacity as shareholders		**–**	**–**	**(213.0)**	**(213.0)**
Balance at 31 December 2010		**247.4**	**419.2**	**843.5**	**1,510.1**
Balance at 1 January 2009		247.4	419.2	735.7	1,402.3
Profit for the year		–	–	17.3	17.3
Total comprehensive income for the year		–	–	17.3	17.3
Contributions by and distributions to shareholders					
Dividends paid during the year:					
Final tax exempt (one-tier) dividends for the previous year	35	–	–	(75.7)	(75.7)
Interim tax exempt (one-tier) dividend	35	–	–	(23.7)	(23.7)
Total contributions by and distributions to shareholders		–	–	(99.4)	(99.4)
Total transactions with shareholders in their capacity as shareholders		–	–	(99.4)	(99.4)
Balance at 31 December 2009		247.4	419.2	653.6	1,320.2

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	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**600.0**	616.5
Life assurance profit before income tax		**84.1**	76.5
General insurance profit before income tax		**28.2**	28.6
Adjustments for non-cash items:			
Surplus transferred from life assurance fund but not yet withdrawn		**(437.2)**	(726.7)
Profit transferred from general insurance fund but not yet withdrawn		**(22.8)**	(25.2)
Share of (profit)/loss of associates and joint ventures		**(20.1)**	33.5
Gain on sale of investments and changes in fair value		**(1,151.9)**	(1,314.7)
Loss on redemption of GreatLink Choice	8	**–**	213.3
Increase in provision for impairment of assets	6	**45.0**	75.6
Impairment loss on goodwill	26	**–**	6.8
Increase in provision for agents' retirement benefits	7	**30.7**	20.7
Gain on disposal of property, plant and equipment and investment properties	8	**(1.4)**	(1.8)
Depreciation	28	**48.9**	47.0
Unrealised loss on exchange differences		**340.6**	2.4
Change in life assurance contract liabilities	17	**3,164.2**	2,929.2
Change in general insurance contract liabilities	16	**17.0**	(11.4)
Change in unexpired risk reserve	15	**16.2**	12.7
Dividend income	4	**(363.3)**	(282.3)
Interest income	4	**(1,448.9)**	(1,354.1)
Interest expense on policy benefits	8	**84.2**	75.5
Share-based payments	8	**5.0**	4.8
		1,018.5	426.9
Changes in working capital:			
Insurance receivables		**(67.6)**	(27.3)
Other debtors and interfund balances		**0.3**	(70.7)
Insurance payables		**165.7**	113.3
Other creditors and interfund balances		**21.3**	(175.9)
Cash generated from operations		**1,138.2**	266.3
Income tax paid		**(200.6)**	(112.2)
Interest paid on policy benefits		**(84.2)**	(75.5)
Agents' retirement benefits paid	7	**(10.1)**	(9.3)
Net cash flows from operating activities		**843.3**	69.3

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	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		**15,461.8**	14,914.4
Purchase of investments		**(18,504.5)**	(17,196.8)
Proceeds from reduction of interests in associates	24	**28.3**	294.8
Capital injection in associates and joint ventures	24	**(27.2)**	(181.0)
Repayment of loans by/(to) joint ventures	20	**6.2**	(0.7)
Proceeds from sale of property, plant and equipment and investment properties		**2.4**	21.2
Purchase of property, plant and equipment and investment properties	27, 28	**(29.6)**	(25.4)
Interest income received		**1,371.9**	1,307.5
Dividends received		**408.2**	283.8
Net cash flows used in investing activities		**(1,282.5)**	(582.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	35	**(213.0)**	(99.4)
Dividends paid to non-controlling interests		**(13.4)**	(10.2)
Increase in non-controlling interests on incorporation of new subsidiary		**12.4**	–
Net cash flows used in financing activities		**(214.0)**	(109.6)
Net effect of currency translation reserve adjustment		**267.7**	(192.0)
Net decrease in cash and cash equivalents		**(385.5)**	(814.5)
Cash and cash equivalents at the beginning of the year		**3,215.9**	4,030.4
Cash and cash equivalents at the end of the year		**2,830.4**	3,215.9
Cash and cash equivalents comprise:			
Cash and bank balances		**518.2**	438.7
Cash on deposit		**1,352.6**	1,851.2
Short term instruments		**959.6**	926.0
		2,830.4	3,215.9

Included in the cash and cash equivalents are bank deposits amounting to $2.8 million (2009: $3.0 million) which are lodged with the regulator as statutory deposits, and short term instruments of $16.4 million (2009: nil) held as advance deposit for business combination, which are not available for use by the Group.

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

Life Assurance Revenue Statement

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group 2010	Group 2009
Income			
Gross premiums		**5,966.8**	5,670.9
less: Premiums ceded to reinsurers		**100.4**	82.1
Net premiums		**5,866.4**	5,588.8
Commissions received from reinsurers		**13.9**	24.7
Investment income, net	4	**1,622.5**	1,467.5
Rental income, net		**59.2**	59.0
Gain on sale of investments and changes in fair value	5	**1,088.4**	1,306.5
Loss on exchange differences		**(303.3)**	(65.3)
		8,347.1	8,381.2
less: **Expenses**			
Gross claims, surrenders and annuities		**4,227.0**	4,519.6
Claims, surrenders and annuities recovered from reinsurers		**(45.8)**	(48.5)
Commissions and agency expenses		**601.6**	517.6
Increase in provision for impairment of assets	6	**40.8**	59.4
Management expenses		**223.2**	227.0
Impairment loss on goodwill	26	**–**	6.8
Agents' retirement benefits	7	**30.7**	20.7
Depreciation	28	**46.9**	45.0
Change in life assurance fund contract liabilities	17	**3,164.2**	2,929.2
		8,288.6	8,276.8
Life assurance profit before share of profit/(loss) of associates and joint ventures		**58.5**	104.4
Share of profit/(loss) of associates		**28.6**	(26.6)
Share of loss of joint ventures		**(3.0)**	(1.3)
Life assurance profit before income tax		**84.1**	76.5
Income tax	9	**(265.9)**	(271.4)
Life assurance loss after income tax	17	**(181.8)**	(194.9)
Retained in life assurance fund		**(619.0)**	(921.6)
Transferred to Profit and Loss Statement	17	**437.2**	726.7
		(181.8)	(194.9)

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

		Group	
in Singapore Dollars (millions)	Note	**2010**	**2009**
Income			
Gross premiums		**189.0**	162.7
less: Premiums ceded to reinsurers		**76.4**	65.4
Increase in unexpired risk reserve during the year	15	**4.4**	13.6
Net premiums		**108.2**	83.7
Commissions received from reinsurers		**22.0**	18.5
Investment income, net	4	**7.2**	6.0
Gain/(loss) on sale of investments and changes in fair value	5	**8.0**	(2.9)
Loss on exchange differences		**(0.4)**	(0.1)
Total income		**145.0**	105.2
less: **Expenses**			
Gross claims and increase in loss reserve		**85.2**	65.8
Claims ceded to reinsurers and changes in loss reserve ceded to reinsurers		**(22.8)**	(36.8)
Commissions and agency expenses		**31.0**	25.9
Increase in provision for impairment of assets		**0.2**	–
Management expenses		**22.8**	21.3
Depreciation		**0.4**	0.4
Total expenses		**116.8**	76.6
General insurance profit before income tax		**28.2**	28.6
Income tax		**(5.4)**	(3.4)
Profit from general insurance transferred to Profit and Loss Statement		**22.8**	25.2

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

Notes to the Financial Statements

1. GENERAL

Great Eastern Holdings Limited (the "Company" or "GEH") is a limited liability company which is incorporated and domiciled 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 significant 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 Preparation

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 insurance fund profit that is transferred to the Group Profit and Loss Statements 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, except as disclosed below.

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

2.2 Changes in Accounting Policies

2.2.1 The Group and the Company have applied the following FRS and INT FRS with effect from 1 January 2010:

FRS	Title	Effective date (Annual periods beginning on or after)
FRS 27	Amendments to FRS 27 Consolidated and Separate Financial Statements	1 July 2009
FRS 39	Financial Instruments: Recognition and Measurement – Amendments relating to eligible hedged items	1 July 2009
FRS 103	Revised FRS 103 Business Combinations	1 July 2009
FRS 105	Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
FRS 102	Amendments to FRS 102 Share-based Payment	1 January 2010
INT FRS 39	Financial Instruments: Recognition and Measurement – Embedded Derivatives	30 June 2009
INT FRS 109	Reassessment of Embedded Derivatives	30 June 2009
INT FRS 117	Distribution of Non-cash Assets to Owners	1 July 2009
INT FRS 118	Transfers of Assets from Customers	1 July 2009
Various	Improvements to FRS	1 July 2009 / 1 January 2010

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group, except as disclosed below.

<u>FRS 103 Business Combinations (Revised)</u>

FRS 103, Business Combinations (revised) introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

– Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

– Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

– The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

– When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

<u>FRS 27 Consolidated and Separate Financial Statements (Revised)</u>

The adoption of the revised FRS 27, Consolidated and Separate Financial Statements, results in the following changes in significant accounting policies:

– A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

– Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

– When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interest, attribution of losses to non-controlling interest and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

2.2.2 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 32	Amendment to FRS 32 Classification of Rights Issues	1 February 2010
FRS 24	Amendments to FRS 24 – Related Party Disclosures	1 January 2011
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
INT FRS 114	Prepayments of a Minimum Funding Requirement	1 January 2011

The Directors expect that the adoption of the above pronouncements will not have material impact on the financial statements in the period of initial application, except for the revised FRS 24 as indicated below.

Revised FRS 24, Related Party Disclosures, clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of Consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Company's significant subsidiaries is shown in Note 3.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.20. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses, if any.

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

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 sharing control.

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 Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investments in associates and joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the identifiable assets, 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.

The profit or loss reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates and joint ventures is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that the investment in an associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and the respective carrying value and recognises the amount in the profit or loss.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.3.3 Transactions with Non-Controlling Interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to shareholders of the Company, and are presented separately in the Consolidated Profit and Loss Statement, Consolidated Statement of Comprehensive Income and within equity in the Consolidated Balance Sheet, separately from Shareholders' Equity.

Changes in the Company shareholders' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the parent.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Exchange differences arising on settlement and translation of such items are recognised in the Profit and Loss Statement or Revenue Statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the exchange rates 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 into Singapore dollars at the rate of exchange ruling at the end of the reporting period. The Profit and Loss Statement and Revenue Statements are translated at the exchange rates prevailing at the dates of the transactions. The exchange differences arising from the translation are recognised in the Statement of Comprehensive Income, Life Assurance Fund or General Insurance Fund as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences recognised in other comprehensive income relating to that particular foreign operation is recognised in the Profit and Loss Statement or Revenue Statements as gain or loss on disposal of the operation.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences is re-attributed to non-controlling interest and is not recognised in profit and loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to the Profit and Loss Statement or Revenue Statements.

2.5 Insurance Contracts

2.5.1 Product Classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

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

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Insurance Contracts (continued)

2.5.1 Product Classification (continued)

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

- Likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and contractually based on the:
  - Performance of a specified pool of contracts or a specified type of contract,
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
  - The profit or loss of the company, fund or other entity that issues the contract.

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

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 realisable value of the insurance contract on surrender. 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 considered insurance contracts as at the balance sheet date.

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

2.5.2 Types of Insurance Contracts

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.

2.5.3 Deferred Acquisition Costs

The Group does not defer acquisition costs relating to its insurance contracts.

2.5.4 Life Assurance Contract Liabilities

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)

2.5.4 Life Assurance Contract Liabilities (continued)

Life assurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating policy, appropriate level of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of a participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amount, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, include an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to liabilities at each reporting date are recorded in the respective Revenue Statements. Profits originating from margins of adverse deviations on run-off contracts are recognised in the Revenue Statements over the lives of the contracts, whereas losses are fully recognised in the Revenue Statements during the first year of run-off.

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

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 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 policyholders accrue directly to the policyholders.

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. 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 contracts entitle the policyholder to receive benefits, which could vary according to investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Insurance Contracts (continued)

2.5.4 Life Assurance Contract Liabilities (continued)

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 and Risk-Based Capital Framework for Insurers for insurance funds regulated in Malaysia.

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 relating to 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 benefits and the discretionary participating features; 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 Statement.

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 in accordance with the terms and conditions of the insurance contracts.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Insurance Contracts (continued)

2.5.4 Life Assurance Contract Liabilities (continued)

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

	SINGAPORE	MALAYSIA
Valuation Method	Gross Premium Valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cashflows discounted at 5.25%; and (iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below.	Gross Premium Valuation For Participating Fund, the method that produces the higher reserves of: (i) Net fund based yield of 5.52% for total benefits (i.e. guaranteed and non-guaranteed cashflows), and (ii) For guaranteed cashflows, weighted average of Malaysia Government Bond zero coupon spot yields (as outlined below).
Interest Rate	(i) Singapore Government Bond yields for cash flows up to year 10, an interpolation of the 10-year Singapore Government Bond yield and the Long Term Risk Free Discount Rate (LTRFDR) for cash flows between 10 to 15 years, and the LTRFDR for cash flows year 15 and after. (ii) For the fair value hedge portfolio, Singapore Government Bond yields for cash flows up to year 20, the 20 year rate for cash flows beyond 20 years. Interpolation for years where rates are unavailable. *Data source: SGS website*	Weighted average of Malaysia Government bond yields determined based on the following: (i) For cashflows with duration less than 15 years, weighted average of Malaysia Government Bond zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, weighted average of Malaysia Government Bond zero coupon spot yields of 15 years to maturity. The weighting is based on 30% weights for yields at date of valuation and 70% weights of the simple average of yields in the preceding 7 quarters prior to the date of valuation. *Data source: Weighted average of Malaysia Government Bond zero coupon spot yield from Bondweb, a bond pricing agency.*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders	Best estimates plus provision for adverse deviation (PADs). *Data source: internal experience studies*	Participating Fund, the method that produces the higher reserves of: (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cashflows), and (ii) Best estimates plus provision for risk of adverse deviation (PRADs) for guaranteed cashflows only. Non-Participating and unit reserves of Investment Linked Fund: Best estimates plus provision for risk of adverse deviation (PRADs). *Data source: internal experience studies*

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Insurance Contracts (continued)

2.5.5 General Insurance Fund Contract Liabilities

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.

General insurance contract liabilities include liabilities for outstanding claims and unearned premiums.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other receivables. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liability is calculated at the reporting date using a range of standard actuarial projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when contracts expire, are discharged or are cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the terms of the contracts and is recognised as premium income.

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.

2.5.6 Reinsurance Contracts

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 reinsurer's policies and are in accordance with the related 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 and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 for which are set out in the Insurance Regulations of the respective jurisdiction in which the insurance subsidiaries operate. The provisions in the 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 the 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 and Malaysia non-participating funds include the fair value change of asset values measured in accordance with the Insurance Regulations of the respective insurance subsidiaries.

2.6.3 Life Assurance – Investment-Linked Fund

Revenue essentially consists of bid-ask spread and fees for mortality and other insured events, 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.

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 dates on which the policies are effective. Premiums from the investment-linked business are recognised as revenue when payment is received.

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 reserve. Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

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 movement in unexpired risk reserve.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Recognition of Income and Expense (continued)

2.7.2 Interest Income

Interest income is recognised using the effective interest method.

2.7.3 Dividend income

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 Income

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 difference between net sales proceeds and the purchase or amortised cost. They are recognised on trade date.

2.7.6 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 or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the Revenue Statements or Profit and Loss Statement.

For assets excluding goodwill, 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 increase 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.

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.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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 Statements.

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 (continued)

(a) Financial assets carried at amortised cost (continued)

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) 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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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 other comprehensive income to the Revenue Statements or Profit and Loss Statement. Reversal of impairment losses on equity instruments are not recognised in the Revenue Statements or Profit and Loss Statement; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the Revenue Statements or Profit and Loss Statement, the impairment loss is reversed in the Revenue Statements or Profit and Loss Statement.

2.7.8 Fees and Other Income

Fees and other income comprise mainly of management and advisory fee income. Management and advisory fee income includes income earned from the provision of administration services, investment management services, surrenders and other contract fees. This fee income is recognised as revenue over the period in which the services are rendered. If the fees are for services to be provided in future periods, then they are deferred and recognised over those periods.

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. In particular, the Singapore and Malaysia companies in the Group make contributions respectively to the Central Provident Fund and Employees' Provident Fund, which are defined contribution pension schemes. 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 as consideration for services rendered. 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 cost of these equity-settled share based payment transactions with the senior executives is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. The cost is recognised in the Profit and Loss Statement or Revenue Statements of the respective insurance funds, with a corresponding increase in the intercompany balance with the holding company, over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within control of the Group or the senior executives, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the Profit and Loss Statement or Revenue Statements upon cancellation.

Deferred Share Plan

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 if the staff ceases employment during the vesting period. The cost of the DSP is recognised in the Profit and Loss Statement 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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Recognition of Income and Expense (continued)

2.7.10 Leases (contined)

As Lessor

Leases where the Group 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. The accounting policy for rental income is set out in Note 2.7.4.

As Lessee

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. The aggregate benefits or incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.8 Income Taxes

2.8.1 Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from 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, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years when the asset is realised or the liability is settled, based on tax rates (and applicable tax laws and jurisdictions) that have been enacted or substantively enacted at 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 (continued)

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

2.9 *Provisions*

Provisions are recognised when the Group has an obligation, either legal or constructive, as a result of a past event, 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 period, in the form of unearned premium. The change in the provision for unearned premium is taken to the Revenue Statements in order that revenue is recognised over the period of 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 and is reduced by the corresponding percentage of 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 payable 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 estimated claims incurred but not reported for all classes of general insurance business written.

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 that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

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 2.19 have been met.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Financial Assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual obligations of the financial asset. The Group determines the classification of its financial assets at initial recognition. 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through Revenue Statements of Insurance Funds and Profit and Loss Statement include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets held for trading are derivatives, embedded derivatives or assets acquired principally for the purpose of selling in the short term and are not designated as hedging instruments in hedge relationships as defined by FRS 39.

Investments held by the investment-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 the 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.

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 of Insurance Funds or Profit and Loss Statement.

2.15.2 Loans and Receivables

Non-derivative 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, less impairment. 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 include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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 Comprehensive Income 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 of Insurance Funds 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 whose fair value cannot be reliably measured are measured at cost less impairment losses.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Hedge Accounting

The Group applies hedge accounting for hedges of net investments in foreign operations. At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For hedges of net investments in foreign operations, gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the Profit and Loss Statement or Revenue Statements. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the Profit and Loss Statement or Revenue Statements.

The Group uses forward currency contracts as hedges of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

2.17 Financial Liabilities and Insurance Payables

Initial recognition and measurement

Financial liabilities and insurance payables within the scope of FRS 39 are recognised on the balance sheet when the Group becomes a party to the contractual obligations of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2.17.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities held for trading are acquired for the purpose of selling in the near term and includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the Profit and Loss Statement or Revenue Statements.

2.17.2 Other Financial Liabilities

After initial recognition, other financial liabilities (except for financial guarantees) are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2.17.3 Derecognition

A financial liability and an insurance payable are derecognised when the obligation under the liability is extinguished. When 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 Profit and Loss Statement or Revenue Statements.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Determination of Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published 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. 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.

2.19 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 Profit and Loss Statement or Revenue Statements.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Goodwill

Goodwill is measured at cost on initial recognition. Goodwill is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Revenue Statements 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.

2.21 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment. The cost is recognised as an asset, if and 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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives.

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 yet 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. The useful lives are as follows:

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 costs	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 values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate. This is 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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Investment Properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the Profit and Loss Statement or Revenue Statements in the year that they arise.

Investment properties are derecognised when they are disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on disposal are recognised in the Profit and Loss Statement or Revenue Statements in the year of retirement or disposal.

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 2.21 up to the date of change in use.

2.23 Provision for Agents' Retirement Benefits

Provision for agents' retirement benefits is 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 includes 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.

2.24 Related Parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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 investment 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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services. The management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share Capital and Share Issuance Expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.28 Critical Accounting Estimates and Judgements

In the preparation of the Group's financial statements, management makes estimates, assumptions and judgements that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Estimates, assumptions and judgements are continually evaluated and based on internal studies of actual or historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

2.28.1 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, lapses, 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 provisions 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. The carrying value of life insurance contract liabilities as at 31 December 2010 amounted to $37,933.8 million (31 December 2009: $34,558.0 million).

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Critical Accounting Estimates and Judgements (continued)

2.28.1 Critical Accounting Estimates and Assumptions (continued)

(a) Liabilities of insurance business (continued)

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past development experience can be used to project future claims development and hence, ultimate claim costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors, economic conditions as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved. The carrying value of general insurance contract liabilities as at 31 December 2010 amounted to $66.7 million (31 December 2009: $49.1 million).

(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. The carrying amount of the income tax and deferred tax provisions as at 31 December 2010 amounted to $1,332.0 million (31 December 2009: $1,065.4 million).

(d) Property classification

The Group adopts certain criteria based on FRS 40, Investment Property in determining whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased separately under a finance lease), the Group would account for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Critical Accounting Estimates and Judgements (continued)

2.28.2 Critical Judgements in Applying Accounting Policies

(a) Impairment of goodwill

The Group conducts impairment tests on the carrying value of goodwill in accordance with the accounting policy stated in Note 2.20. 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. Further details of the key assumptions applied in the impairment assessment of goodwill are provided in Note 26.

(b) Impairment of loans and receivables

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 loans. 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 financial assets

The Group reviews its debt securities classified as available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group also records impairment changes on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(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.

(e) Provision for agents' retirement benefits

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions of the agreement, which stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Group shall allocate to the agent a deferred benefit/retirement benefit. Interest is accrued based on an estimated rate at the end of the financial year on the accumulated deferred benefit/retirement benefit with an adjustment made subsequent to year end for changes in certain statutory dividend rates. Additional provision is made to cover estimated liability for future benefits payable in the event of death, disability, investment returns and benefits payable. The agents' retirement benefit becomes vested and payable upon fulfillment of the stipulated conditions.

Judgement is required to estimate the provision to be made, based upon the likely fulfillment of the conditions and occurrence of the claimable event. At each reporting year, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the provision. The carrying amount of agents' retirement benefits as at 31 December 2010 amounted to $216.2 million (31 December 2009: $192.0 million).

Notes to the Financial Statements

3 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

		Country of Incorporation	Principal Activities	Effective interest held by GEH 2010 %	Effective interest held by GEH 2009 %
(i)	**SIGNIFICANT SUBSIDIARIES**				
	Held by the Company				
	The Great Eastern Life Assurance Company Limited	Singapore	Life assurance	**100.0**	100.0
	The Overseas Assurance Corporation Limited	Singapore	Composite insurance	**100.0**	100.0
	Lion Global Investors Limited	Singapore	Asset management	**70.0**	70.0
	The Great Eastern Trust Private Limited	Singapore	Investment holding	**100.0**	100.0
	Held through subsidiaries				
	Great Eastern Capital (Malaysia) Sendirian Berhad (3.1)	Malaysia	Investment holding	**100.0**	100.0
	Great Eastern Life Assurance (Malaysia) Berhad (3.1)	Malaysia	Life assurance	**100.0**	100.0
	Overseas Assurance Corporation (Malaysia) Berhad (3.1)	Malaysia	General insurance	**100.0**	100.0
	P.T. Great Eastern Life Indonesia (3.1)	Indonesia	Life assurance	**99.0**	98.2
	Straits Eastern Square Private Limited	Singapore	Property development and investment	**100.0**	100.0
	Great Eastern Life (Vietnam) Company Limited (3.1)	Vietnam	Life assurance	**100.0**	100.0
	218 Orchard Private Limited (3.2)	Singapore	Property development and investment	**100.0**	–
	Great Eastern Takaful Sdn Bhd (3.1) & (3.4)	Malaysia	Family Takaful business	**70.0**	–
(ii)	**SIGNIFICANT ASSOCIATES**				
	Held through subsidiaries				
	Fairfield Investment Fund Ltd (3.3)	British Virgin Island	Collective investment scheme	**45.8**	45.8
	Ascendas China Commercial Fund (3.3)	Singapore	Real Estate Investment Trust	**28.5**	28.5
	Lion Indian Real Estate Fund (3.3)	Cayman Islands	Real Estate Investment Trust	**45.5**	45.5
	LionGlobal Target Return Fund (3.3)	Singapore	Unit Trust	**41.7**	37.5
(iii)	**SIGNIFICANT JOINT VENTURES**				
	Held through subsidiaries				
	Great Eastern Life Assurance (China) Company Limited (3.1)	People's Republic of China	Life assurance	**50.0**	50.0

(3.1) Audited by associated firms of Ernst & Young LLP, Singapore.
(3.2) Incorporated on 11 February 2010.
(3.3) Audited by PricewaterhouseCoopers.
(3.4) Incorporated on 29 September 2010.

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009
4 INVESTMENT INCOME, NET									
4.1 Profit and Loss Statements									
Dividend income		**24.1**	18.0	**24.1**	18.0	**–**	–	**–**	–
Interest income									
– Investments									
Available-for-sale financial assets		**64.3**	64.6	**64.3**	64.6	**–**	–	**–**	–
Financial assets at fair value through profit and loss statements		**1.2**	1.0	**1.2**	1.0	**–**	–	**–**	–
– Loans and receivables		**5.6**	6.0	**5.6**	6.0	**–**	–	**–**	0.1
		71.1	71.6	**71.1**	71.6	**–**	–	**–**	0.1
		95.2	89.6	**95.2**	89.6	**–**	–	**–**	0.1
less: Investment related expenses		**(0.9)**	(0.6)	**(0.9)**	(0.6)	**–**	–	**–**	0.1
		94.3	89.0	**94.3**	89.0	**–**	–	**–**	0.2
4.2 Life Assurance Revenue Statement									
Dividend income		**338.7**	263.5	**–**	–	**338.7**	263.5	**–**	–
Interest income									
– Investments									
Available-for-sale financial assets		**1,042.3**	955.7	**–**	–	**1,042.3**	955.7	**–**	–
Financial assets at fair value through profit and loss statements		**94.2**	86.1	**–**	–	**94.2**	86.1	**–**	–
– Loans and receivables		**234.4**	235.4	**–**	–	**234.4**	235.4	**–**	–
		1,370.9	1,277.2	**–**	–	**1,370.9**	1,277.2	**–**	–
		1,709.6	1,540.7	**–**	–	**1,709.6**	1,540.7	**–**	–
less: Investment related expenses		**(87.1)**	(73.2)	**–**	–	**(87.1)**	(73.2)	**–**	–
		1,622.5	1,467.5	**–**	–	**1,622.5**	1,467.5	**–**	–

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group: Total 2010	Group: Total 2009	Group: Shareholders' and General Insurance Funds 2010	Group: Shareholders' and General Insurance Funds 2009	Group: Life Assurance Fund 2010	Group: Life Assurance Fund 2009	Company 2010	Company 2009
4 INVESTMENT INCOME, NET (continued)									
4.3 General Insurance Revenue Statement									
Dividend income		**0.5**	0.8	**0.5**	0.8	**–**	–	**–**	–
Interest income									
– Investments									
Available-for-sale financial assets		**6.1**	4.2	**6.1**	4.2	**–**	–	**–**	–
Financial assets at fair value through profit and loss statements		**0.1**	0.1	**0.1**	0.1	**–**	–	**–**	–
– Loans and receivables		**0.7**	1.0	**0.7**	1.0	**–**	–	**–**	–
		6.9	5.3	**6.9**	5.3	**–**	–	**–**	–
		7.4	6.1	**7.4**	6.1	**–**	–	**–**	–
less: Investment related expenses		**(0.2)**	(0.1)	**(0.2)**	(0.1)	**–**	–	**–**	–
		7.2	6.0	**7.2**	6.0	**–**	–	**–**	–

During the year ended 31 December 2010, the total interest income for financial assets that are not classified at fair value through profit and loss amounted to $69.9 million, $1,276.7 million and $6.8 million for the Profit and Loss Statement, Life Assurance Revenue Statement and General Insurance Revenue Statement respectively (2009: $70.6 million, $1,191.1 million and $5.2 million).

in Singapore Dollars (millions)	Note	Group: Total 2010	Group: Total 2009	Group: Shareholders' and General Insurance Funds 2010	Group: Shareholders' and General Insurance Funds 2009	Group: Life Assurance Fund 2010	Group: Life Assurance Fund 2009	Company 2010	Company 2009
5 GAIN/(LOSS) ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE									
5.1 Profit and Loss Statements									
Realised gain from sale of investments		**28.0**	5.4	**28.0**	5.4	**–**	–	**–**	–
Amount transferred from Statement of Comprehensive Income on sale of investments		**(16.5)**	(2.7)	**(16.5)**	(2.7)	**–**	–	**–**	–
Changes in fair value of held-for-trading investments		**45.4**	9.9	**45.4**	9.9	**–**	–	**–**	–
		56.9	12.6	**56.9**	12.6	**–**	–	**–**	–
5.2 Life Assurance Revenue Statement									
Realised gain/(loss) from sale of investments		**186.1**	(95.0)	**–**	–	**186.1**	(95.0)	**–**	–
Amount transferred from Fair Value Reserve on sale of investments	17	**322.2**	(25.8)	**–**	–	**322.2**	(25.8)	**–**	–
Changes in fair value of investments									
– fair value through revenue statement		**66.9**	849.2	**–**	–	**66.9**	849.2	**–**	–
– held-for-trading		**281.8**	547.0	**–**	–	**281.8**	547.0	**–**	–
		348.7	1,396.2	**–**	–	**348.7**	1,396.2	**–**	–
Changes in fair value of investment properties		**231.4**	31.1	**–**	–	**231.4**	31.1	**–**	–
		1,088.4	1,306.5	**–**	–	**1,088.4**	1,306.5	**–**	–

Notes to the Financial Statements

		Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
in Singapore Dollars (millions)	Note	2010	2009	2010	2009	2010	2009	2010	2009
5 GAIN/(LOSS) ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE (continued)									
5.3 General Insurance Revenue Statement									
Realised gain from sale of investments		–	0.7	–	0.7	–	–	–	–
Amount transferred from Fair Value Reserve on sale of investments	16	7.4	(3.6)	7.4	(3.6)	–	–	–	–
Changes in fair value of held-for-trading investments		0.6	–	0.6	–	–	–	–	–
		8.0	(2.9)	8.0	(2.9)	–	–	–	–
6 PROVISIONS									
6.1 Provision for impairment of secured loans									
Balance at the beginning of the year		2.1	2.1	2.1	2.1	–	–	–	–
Increase in provision for the year		–	–	–	–	–	–	–	–
Balance at the end of the year	21	2.1	2.1	2.1	2.1	–	–	–	–
6.2 Provision for impairment of quoted equity securities									
Balance at the beginning of the year		120.6	332.8	6.3	34.6	114.3	298.2	–	–
Increase in provision for the year		7.3	51.5	3.7	7.4	3.6	44.1	–	–
Utilised during the year		(62.5)	(263.7)	(9.7)	(35.7)	(52.8)	(228.0)	–	–
Balance at the end of the year	23	65.4	120.6	0.3	6.3	65.1	114.3	–	–
6.3 Provision for impairment of unquoted equity securities									
Balance at the beginning of the year		12.1	–	–	–	12.1	–	–	–
Increase in provision for the year		18.6	12.1	–	–	18.6	12.1	–	–
Balance at the end of the year	23	30.7	12.1	–	–	30.7	12.1	–	–
6.4 Provision for impairment of quoted debt securities									
Balance at the beginning of the year		0.3	56.5	0.3	4.5	–	52.0	–	–
Increase in provision for the year		0.2	2.2	–	2.1	0.2	0.1	–	–
Utilised during the year		(0.3)	(58.4)	(0.3)	(6.3)	–	(52.1)	–	–
Balance at the end of the year	23	0.2	0.3	–	0.3	0.2	–	–	–
6.5 Provision for impairment of unquoted debt securities									
Balance at the beginning of the year		6.1	20.7	6.1	7.7	–	13.0	–	–
Increase/(decrease) in provision for the year		17.4	(9.2)	–	1.0	17.4	(10.2)	–	–
Utilised during the year		(0.6)	(5.4)	–	(2.6)	(0.6)	(2.8)	–	–
Balance at the end of the year	23	22.9	6.1	6.1	6.1	16.8	–	–	–

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009
6 PROVISIONS (Continued)									
6.6 Provision for impairment of collective investments									
Balance at the beginning of the year		**16.4**	33.2	**5.2**	5.2	**11.2**	28.0	**–**	–
Increase in provision for the year		**1.5**	19.0	**0.5**	5.7	**1.0**	13.3	**–**	–
Utilised during the year		**(15.2)**	(35.8)	**(4.8)**	(5.7)	**(10.4)**	(30.1)	**–**	–
Balance at the end of the year	23	**2.7**	16.4	**0.9**	5.2	**1.8**	11.2	**–**	–
6.7 Provision for impairment of associated company									
Balance at the beginning of the year		**–**	37.0	**–**	5.2	**–**	31.8	**–**	–
Utilised during the year		**–**	(37.0)	**–**	(5.2)	**–**	(31.8)	**–**	–
Balance at the end of the year	24	**–**	–	**–**	–	**–**	–	**–**	–
6.8 Provision for impairment of unsecured loan to subsidiary companies									
Balance at the beginning of the year		**–**	–	**–**	–	**–**	–	**5.4**	5.4
Increase in provision for the year		**–**	–	**–**	–	**–**	–	**–**	–
Balance at the end of the year	20	**–**	–	**–**	–	**–**	–	**5.4**	5.4
6.9 Provision for impairment of property, plant and equipment									
Balance at the beginning of the year		**93.5**	93.5	**0.3**	0.3	**93.2**	93.2	**–**	–
Increase in provision for the year		**–**	–	**–**	–	**–**	–	**–**	–
Balance at the end of the year		**93.5**	93.5	**0.3**	0.3	**93.2**	93.2	**–**	–
Increase in provision for impairment of assets for the year		**45.0**	75.6	**4.2**	16.2	**40.8**	59.4	**–**	–
7 PROVISION FOR AGENTS' RETIREMENT BENEFITS									
Balance at the beginning of the year		**192.0**	183.2	**–**	–	**192.0**	183.2	**–**	–
Currency translation reserve adjustment		**3.6**	(2.6)	**–**	–	**3.6**	(2.6)	**–**	–
Increase in provision for the year		**30.7**	20.7	**–**	–	**30.7**	20.7	**–**	–
Paid during the year		**(10.1)**	(9.3)	**–**	–	**(10.1)**	(9.3)	**–**	–
Balance at the end of the year		**216.2**	192.0	**–**	–	**216.2**	192.0	**–**	–

As at 31 December 2010, $52.0 million (2009: $43.0 million) of the above provision for agents' retirement benefits is payable within one year.

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
8 ADDITIONAL PROFIT & LOSS DISCLOSURES									
Auditors' remuneration									
Other fees paid to Ernst & Young, Singapore		**0.5**	0.5	**0.3**	0.2	**0.2**	0.3	**–**	0.1
Staff costs and related expenses (including executive directors and key management personnel compensation)		**184.9**	172.3	**58.3**	51.8	**126.6**	120.5	**3.3**	3.0
Salaries, wages, bonuses and other costs		**164.0**	149.7	**51.6**	47.6	**112.4**	102.1	**3.3**	2.9
Central Provident Fund / Employee Provident Fund		**15.9**	17.8	**4.3**	3.6	**11.6**	14.2	**–**	0.1
Share-based payments		**5.0**	4.8	**2.4**	0.6	**2.6**	4.2	**–**	–
Rental expense		**21.4**	22.2	**4.4**	5.4	**17.0**	16.8	**–**	–
Fee income		**67.8**	63.7	**67.8**	63.7	**–**	–	**–**	–
Fund management fee		**67.3**	61.2	**67.3**	61.2	**–**	–	**–**	–
Financial advisory fee		**0.5**	2.5	**0.5**	2.5	**–**	–	**–**	–
Gain on disposal of property, plant and equipment and investment properties		**1.4**	1.8	**–**	–	**1.4**	1.8	**–**	–
Property, plant and equipment		**–**	0.3	**–**	–	**–**	0.3	**–**	–
Investment properties		**1.4**	1.5	**–**	–	**1.4**	1.5	**–**	–
Depreciation		**48.9**	47.0	**2.0**	2.0	**46.9**	45.0	**–**	–
Interest expense on policy benefits		**84.2**	75.5	**–**	–	**84.2**	75.5	**–**	–
Loss on redemption of GreatLink Choice [1]		**–**	213.3	**–**	213.3	**–**	–	**–**	–

[1] GreatLink Choice ("GLC") is a series of investment-linked products with underlying investments in CDOs (collateralised debt obligations). In 2009, the Company's subsidiary, The Great Eastern Life Assurance Company Limited, made a one-time redemption offer to its GLC policyholders. Under the offer scheme, in exchange for their GLC units, GLC policyholders received an amount equal to the original purchase price of $1.00 per unit, less the total annual payouts received to-date. The resultant financial impact is a loss of $213.3 million.

Notes to the Financial Statements

9 INCOME TAX

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009
Profit and Loss or Revenue Statements:									
Current income tax:									
– Current income taxation		**254.6**	170.9	**76.7**	51.1	**177.9**	119.8	**0.1**	–
– Under/(over) provision in respect of previous years		**34.2**	73.7	**(3.3)**	10.0	**37.5**	63.7	**–**	–
		288.8	244.6	**73.4**	61.1	**215.4**	183.5	**0.1**	–
Deferred income tax:									
– Origination and reversal of temporary differences		**66.2**	125.8	**15.7**	34.1	**50.5**	91.7	**–**	–
– Effect of reduction in tax rate		**–**	(3.7)	**–**	0.1	**–**	(3.8)	**–**	–
		66.2	122.1	**15.7**	34.2	**50.5**	87.9	**–**	–
Total tax charge for the year recognised in Profit and Loss or Revenue Statements		**355.0**	366.7	**89.1**	95.3	**265.9**	271.4	**0.1**	–
Deferred tax for the year, on fair value changes on available-for-sale investments, charged directly to other comprehensive income and to the Insurance Funds:									
– equity		**(33.6)**	(32.9)	**(33.6)**	(32.9)	**–**	–	**–**	–
– insurance funds		**(73.4)**	(54.0)	**(0.4)**	(2.1)	**(73.0)**	(51.9)	**–**	–

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2010	2009	2010	2009	2010	2009	2010	2009

9 INCOME TAX (continued)

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 2010 and 2009 is as follows:

	Total 2010	Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009
Profit before income tax	**605.5**	622.1	**605.5**	622.1	**–**	–	**403.0**	17.3
General insurance profit before income tax	**28.2**	28.6	**28.2**	28.6	**–**	–	**–**	–
Life assurance profit before income tax	**84.1**	76.5	**–**	–	**84.1**	76.5	**–**	–
Tax at the domestic rates applicable to profits in the countries where the Group operates	**157.5**	149.2	**132.9**	147.2	**24.6**	2.0	**68.5**	2.9
Adjustments:								
Tax effect of net surplus transferred to Shareholders' Fund	**(37.4)**	(53.1)	**(37.4)**	(53.1)	**–**	–	**–**	–
Tax effect of provision against future policyholders' bonus	**45.0**	94.8	**–**	–	**45.0**	94.8	**–**	–
Foreign tax paid not recoverable	**16.8**	12.0	**1.2**	0.6	**15.6**	11.4	**–**	–
Permanent differences	**353.6**	282.0	**7.4**	(7.0)	**346.2**	289.0	**1.3**	1.2
Tax exempt income	**(214.7)**	(192.2)	**(11.6)**	(3.1)	**(203.1)**	(189.1)	**(69.7)**	(4.1)
Deferred tax assets not recognised	**0.1**	3.9	**0.1**	0.5	**–**	3.4	**–**	–
Tax rate change	**–**	(3.7)	**–**	0.1	**–**	(3.8)	**–**	–
(Over)/under provision in respect of previous years	**34.2**	73.7	**(3.3)**	10.0	**37.5**	63.7	**–**	–
Others	**(0.1)**	0.1	**(0.2)**	0.1	**0.1**	–	**–**	–
Income tax expense recognised in the Profit and Loss or Revenue Statements	**355.0**	366.7	**89.1**	95.3	**265.9**	271.4	**0.1**	–

The corporate income tax rate applicable to Singapore companies of the Group was 17% from year of assessment 2010 onwards and the corporate income tax rate applicable to Malaysian companies of the Group was 25% from year of assessment 2009 onwards.

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

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009
9 INCOME TAX (continued)									
Deferred Tax									
Balance at the beginning of the year		**766.3**	464.6	**50.1**	(22.1)	**716.2**	486.7	**–**	–
Currency translation reserve adjustments		**5.1**	4.9	**1.0**	1.9	**4.1**	3.0	**–**	–
Deferred tax charge taken to Profit and Loss or Revenue Statements:									
Other temporary differences		**20.9**	55.3	**15.8**	56.8	**5.1**	(1.5)	**–**	–
Fair value changes		**0.4**	(3.1)	**(0.1)**	(1.4)	**0.5**	(1.7)	**–**	–
Provision against future policyholders' bonus		**45.0**	91.1	**–**	–	**45.0**	91.1	**–**	–
Deferred tax on future policyholders' bonus taken to unallocated surplus	17	**–**	86.9	**–**	–	**–**	86.9	**–**	–
Deferred tax on fair value changes on available-for-sale investments		**107.0**	86.9	**34.0**	35.0	**73.0**	51.9	**–**	–
Effect of change in tax rate	17	**–**	1.0	**–**	1.2	**–**	(0.2)	**–**	–
Unutilised loss carried forward		**5.1**	(21.3)	**5.1**	(21.3)	**–**	–	**–**	–
Balance at the end of the year		**949.8**	766.3	**105.9**	50.1	**843.9**	716.2	**–**	–

Notes to the Financial Statements

9 INCOME TAX (continued)

Deferred taxes at 31 December related to the following:

		Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
in Singapore Dollars (millions)	Note	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
		Balance Sheets							
Deferred tax liabilities:									
Differences in depreciation for tax purposes		**10.1**	15.1	**0.3**	0.3	**9.8**	14.8	**–**	–
Accrued investment income		**0.6**	0.5	**0.1**	0.1	**0.5**	0.4	**–**	–
Net unrealised gains on investments		**272.9**	153.6	**61.3**	20.2	**211.6**	133.4	**–**	–
Net accretion on fixed income investments		**17.4**	4.8	**0.6**	–	**16.8**	4.8	**–**	–
Undistributed bonus to policyholders		**608.2**	562.2	**–**	–	**608.2**	562.2	**–**	–
Differences in insurance items		**52.8**	52.2	**52.8**	52.2	**–**	–	**–**	–
Deferred tax liabilities		**962.0**	788.4	**115.1**	72.8	**846.9**	715.6	**–**	–
Deferred tax assets:									
Net unrealised loss on investments		**4.0**	(0.6)	**6.8**	–	**(2.8)**	(0.6)	**–**	–
Unutilised tax losses carried forward		**0.3**	21.3	**0.3**	21.3	**–**	–	**–**	–
Net amortisation on fixed income investments		**7.7**	1.4	**1.9**	1.4	**5.8**	–	**–**	–
Other accruals and provisions		**0.2**	–	**0.2**	–	**–**	–	**–**	–
Deferred tax assets		**12.2**	22.1	**9.2**	22.7	**3.0**	(0.6)	**–**	–
Net deferred tax liabilities		**949.8**	766.3	**105.9**	50.1	**843.9**	716.2	**–**	–
		Profit and Loss Statements and Revenue Statements							
Deferred tax liabilities:									
Differences in depreciation for tax purposes		**(5.0)**	3.1	**–**	–	**(5.0)**	3.1	**–**	–
Accrued investment income		**0.1**	0.1	**–**	0.1	**0.1**	–	**–**	–
Net unrealised gains on investments		**7.1**	6.3	**6.1**	(5.8)	**1.0**	12.1	**–**	–
Net accretion on fixed income investments		**12.6**	(1.0)	**0.6**	–	**12.0**	(1.0)	**–**	–
Undistributed bonus to policyholders	17	**46.0**	78.0	**–**	–	**46.0**	78.0	**–**	–
Differences in insurance items		**0.6**	52.2	**0.6**	52.2	**–**	–	**–**	–
Deferred tax assets:									
Net unrealised loss on investments		**(4.6)**	0.6	**(6.8)**	–	**2.2**	0.6	**–**	–
Unutilised tax losses carried forward		**15.9**	(18.8)	**15.9**	(18.9)	**–**	0.1	**–**	–
Net amortisation on fixed income investments		**(6.3)**	1.6	**(0.5)**	6.6	**(5.8)**	(5.0)	**–**	–
Other accruals and provisions		**(0.2)**	–	**(0.2)**	–	**–**	–	**–**	–
Deferred tax expense		**66.2**	122.1	**15.7**	34.2	**50.5**	87.9	**–**	–

Notes to the Financial Statements

9 INCOME TAX (continued)

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately $8.9 million (2009: $8.8 million) 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.

There are no unrecognised differences relating to investments in subsidiaries and joint ventures.

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 the same 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	
		2010	2009
Profit attributable to ordinary shareholders for computation of basic and diluted earnings per share	(in millions of Singapore Dollars)	**507.2**	516.7
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)	**$1.07**	$1.09

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

11 SHARE CAPITAL

	Group and Company			
	2010		2009	
	Number of shares	**$'mil**	Number of shares	$'mil
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 currency translation reserve is also used to record the effect of hedging of net investment in foreign operations.

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.

As at 31 December 2010, non-distributable reserves of $973.5 million (2009: $820.3 million) have been set aside by the Group's insurance entities to meet risk-based capital requirements for regulatory reporting purposes. These reserves are deemed statutory reserves and are not available for distribution to shareholders. These statutory reserves are measured according to the regulatory prescriptions and are subject to changes in line with the underlying risks underwritten by the respective businesses. Refer to Note 33 for more details.

		Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
in Singapore Dollars (millions)	Note	2010	2009	2010	2009	2010	2009	2010	2009
13 INSURANCE PAYABLES									
Claims admitted or intimated		**188.4**	194.5	**–**	–	**188.4**	194.5	**–**	–
Policy benefits		**2,118.6**	1,948.9	**–**	–	**2,118.6**	1,948.9	**–**	–
Reinsurance liabilities		**65.6**	63.5	**17.5**	13.7	**48.1**	49.8	**–**	–
		2,372.6	2,206.9	**17.5**	13.7	**2,355.1**	2,193.2	**–**	–

Policy benefits bear interest at 3% per annum (2009: 3% per annum) for the Group's insurance subsidiaries in Singapore and at 5% per annum (2009: 5% per annum) for the Group's insurance subsidiaries in Malaysia.

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group: Total 2010	Group: Total 2009	Group: Shareholders' and General Insurance Funds 2010	Group: Shareholders' and General Insurance Funds 2009	Group: Life Assurance Fund 2010	Group: Life Assurance Fund 2009	Company 2010	Company 2009
14 OTHER CREDITORS AND INTERFUND BALANCES									
Other creditors and interfund balances comprise the following:									
Financial Liabilities:									
Accrued expenses and other creditors		**412.3**	411.9	**99.8**	138.2	**312.5**	273.7	**7.1**	5.9
Investment creditors		**189.6**	58.8	**10.6**	19.7	**179.0**	39.1	**–**	–
Amount due to holding company [1]		**3.3**	3.1	**3.3**	3.1	**–**	–	**–**	–
Interfund balances		**1,222.0**	1,349.3	**135.9**	229.7	**1,086.1**	1,119.6	**–**	–
		1,827.2	1,823.1	**249.6**	390.7	**1,577.6**	1,432.4	**7.1**	5.9
Non Financial Liabilities:									
Premiums in suspense [2]		**64.9**	42.7	**0.4**	0.6	**64.5**	42.1	**–**	–
		1,892.1	1,865.8	**250.0**	391.3	**1,642.1**	1,474.5	**7.1**	5.9

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

(2) Amounts are payable within one year.

in Singapore Dollars (millions)	Note	Group: Total 2010	Group: Total 2009	Group: Shareholders' and General Insurance Funds 2010	Group: Shareholders' and General Insurance Funds 2009	Group: Life Assurance Fund 2010	Group: Life Assurance Fund 2009	Company 2010	Company 2009
15 UNEXPIRED RISK RESERVE									
Balance at the beginning of the year		**56.4**	43.1	**56.4**	43.1	**–**	–	**–**	–
Currency translation reserve adjustment		**0.3**	(0.3)	**0.3**	(0.3)	**–**	–	**–**	–
Increase in unexpired risk reserve during the year, gross		**16.2**	12.7	**16.2**	12.7	**–**	–	**–**	–
Movement in reinsurer's share of unexpired risk reserve during the year		**(11.8)**	0.9	**(11.8)**	0.9	**–**	–	**–**	–
Balance at the end of the year		**61.1**	56.4	**61.1**	56.4	**–**	–	**–**	–
Unexpired risk reserve, gross		**97.1**	79.5	**97.1**	79.5	**–**	–	**–**	–
Reinsurers' share of unexpired risk reserve	19	**(36.0)**	(23.1)	**(36.0)**	(23.1)	**–**	–	**–**	–
Unexpired risk reserve, net		**61.1**	56.4	**61.1**	56.4	**–**	–	**–**	–

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009
16 GENERAL INSURANCE FUND							
Balance at the beginning of the year		**52.3**	58.0	**52.3**	58.0	**–**	–
Currency translation reserve adjustment		**0.6**	(0.7)	**0.6**	(0.7)	**–**	–
Fair value reserve movement		**1.1**	6.4	**1.1**	6.4	**–**	–
Increase in loss reserve during the year, gross		**14.4**	7.3	**14.4**	7.3	**–**	–
Effect of adoption of Malaysia Risk-based Capital Framework [1]		**–**	(6.7)	**–**	(6.7)	**–**	–
Movement in reinsurer's share of loss reserve during the year		**2.6**	(12.0)	**2.6**	(12.0)	**–**	–
Balance at the end of the year		**71.0**	52.3	**71.0**	52.3	**–**	–
General Insurance Fund comprises:							
General Insurance Fund Contract Liabilities, net		**66.7**	49.1	**66.7**	49.1	**–**	–
Reinsurers' share of loss reserve	19	**38.9**	43.2	**38.9**	43.2	**–**	–
General Insurance Fund Contract Liabilities, gross		**105.6**	92.3	**105.6**	92.3	**–**	–
Fair Value Reserve		**4.3**	3.2	**4.3**	3.2	**–**	–
		109.9	95.5	**109.9**	95.5	**–**	–
Represented by:							
General Insurance Fund Contract Liabilities							
Balance at the beginning of the year		**49.1**	61.2	**49.1**	61.2	**–**	–
Currency translation reserve adjustment		**0.6**	(0.7)	**0.6**	(0.7)	**–**	–
Increase in loss reserve during the year, gross		**14.4**	7.3	**14.4**	7.3	**–**	–
Effect of adoption of Malaysia Risk-based Capital Framework [1]		**–**	(6.7)	**–**	(6.7)	**–**	–
Movement in reinsurer's share of loss reserve during the year		**2.6**	(12.0)	**2.6**	(12.0)	**–**	–
Balance at the end of the year		**66.7**	49.1	**66.7**	49.1	**–**	–
Fair Value Reserve [2]							
Balance at the beginning of the year		**3.2**	(3.2)	**3.2**	(3.2)	**–**	–
Fair value changes on remeasuring available-for-sale investments		**8.9**	4.9	**8.9**	4.9	**–**	–
Transfer of fair value reserve to General Insurance Revenue Statement on sale of investments	5	**(7.4)**	3.6	**(7.4)**	3.6	**–**	–
Deferred tax on fair value changes		**(0.4)**	(2.1)	**(0.4)**	(2.1)	**–**	–
Balance at the end of the year		**4.3**	3.2	**4.3**	3.2	**–**	–

(1) On 1 January 2009, the Risk-based Capital Framework ("RBC") for the insurance industry in Malaysia came into effect and the resultant change in actuarial liabilities was accounted for as a change in accounting estimate.

(2) The above fair value reserve is deemed equity of General Insurance Fund.

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009
17 LIFE ASSURANCE FUND							
Balance at the beginning of the year		**39,386.5**	35,855.8	**–**	–	**39,386.5**	35,855.8
Currency translation reserve adjustment		**282.5**	(181.1)	**–**	–	**282.5**	(181.1)
Fair value reserve movement		**1,053.7**	1,791.1	**–**	–	**1,053.7**	1,791.1
Change in life assurance fund contract liabilities							
– Due to assumptions change		**29.8**	727.0	**–**	–	**29.8**	727.0
– Due to change in discount rate		**65.3**	(113.3)	**–**	–	**65.3**	(113.3)
– Due to movement during the year		**3,115.1**	2,579.3	**–**	–	**3,115.1**	2,579.3
Change in life assurance fund contract liabilities on adoption of Malaysia Risk-based Capital Framework (1)		**–**	(185.8)	**–**	–	**–**	(185.8)
Provision for deferred tax on policyholders' bonus on adoption of Malaysia Risk-based Capital Framework (1)	9	**–**	(86.9)	**–**	–	**–**	(86.9)
Provision for deferred tax on future policyholders' bonus	9	**(46.0)**	(78.0)	**–**	–	**(46.0)**	(78.0)
Transferred from Life Assurance Revenue Statement		**(181.8)**	(194.9)	**–**	–	**(181.8)**	(194.9)
Transferred to Profit and Loss Statement		**(437.2)**	(726.7)	**–**	–	**(437.2)**	(726.7)
Balance at the end of the year		**43,267.9**	39,386.5	**–**	–	**43,267.9**	39,386.5
Represented by:							
Life Assurance Fund Contract Liabilities							
Balance at the beginning of the year		**34,558.0**	31,748.8	**–**	–	**34,558.0**	31,748.8
Currency translation reserve adjustment		**211.6**	(120.0)	**–**	–	**211.6**	(120.0)
Change in life assurance fund contract liabilities							
– Due to assumptions change		**29.8**	727.0	**–**	–	**29.8**	727.0
– Due to change in discount rate		**65.3**	(113.3)	**–**	–	**65.3**	(113.3)
– Due to movement during the year		**3,115.1**	2,579.3	**–**	–	**3,115.1**	2,579.3
Change in life assurance fund contract liabilities on adoption of Malaysia Risk-based Capital Framework (1)		**–**	(185.8)	**–**	–	**–**	(185.8)
Provision for deferred tax on future policyholders' bonus	9	**(46.0)**	(78.0)	**–**	–	**(46.0)**	(78.0)
Balance at the end of the year		**37,933.8**	34,558.0	**–**	–	**37,933.8**	34,558.0

Life assurance fund contract liabilities at 31 December comprised the following:

Contracts with Discretionary Participating Features ("DPF")		**30,457.6**	27,625.8	**–**	–	**30,457.6**	27,625.8
Contracts without Discretionary Participating Features ("DPF")		**3,386.6**	3,304.7	**–**	–	**3,386.6**	3,304.7
Investment-linked contracts		**4,089.6**	3,627.5	**–**	–	**4,089.6**	3,627.5
		37,933.8	34,558.0	**–**	–	**37,933.8**	34,558.0

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009
17 LIFE ASSURANCE FUND (continued)							
Unallocated Surplus							
Balance at the beginning of the year		**2,624.9**	3,683.5	**–**	–	**2,624.9**	3,683.5
Currency translation reserve adjustment		**46.1**	(50.1)	**–**	–	**46.1**	(50.1)
Provision for deferred tax on policyholders' bonus on adoption of Malaysia Risk-based Capital Framework [1]	9	**–**	(86.9)	**–**	–	**–**	(86.9)
Transferred from Life Assurance Revenue Statement		**(181.8)**	(194.9)	**–**	–	**(181.8)**	(194.9)
Transferred to Profit and Loss Statement		**(437.2)**	(726.7)	**–**	–	**(437.2)**	(726.7)
Balance at the end of the year		**2,052.0**	2,624.9	**–**	–	**2,052.0**	2,624.9
Fair Value Reserve [2]							
Balance at the beginning of the year		**2,203.6**	423.5	**–**	–	**2,203.6**	423.5
Currency translation reserve adjustment		**24.8**	(11.0)	**–**	–	**24.8**	(11.0)
Fair value changes on remeasuring available-for-sale investments		**1,448.9**	1,817.0	**–**	–	**1,448.9**	1,817.0
Transfer of fair value reserve to Life Assurance Revenue Statement on sale of investments	5	**(322.2)**	25.8	**–**	–	**(322.2)**	25.8
Deferred tax on fair value changes		**(73.0)**	(51.9)	**–**	–	**(73.0)**	(51.9)
Deferred tax – effect of change in tax rate	9	**–**	0.2	**–**	–	**–**	0.2
Balance at the end of the year		**3,282.1**	2,203.6	**–**	–	**3,282.1**	2,203.6

(1) On 1 January 2009, the Risk-based Capital Framework ("RBC") for the insurance industry in Malaysia came into effect and the resultant change in actuarial liabilities was accounted for as a change in accounting estimate.

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

18 OTHER DEBTORS AND INTERFUND BALANCES

Other debtors and interfund balances comprise the following:

	Note	Total 2010	Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009
Financial Assets:							
Accrued interest receivable		**342.7**	385.3	**19.3**	72.4	**323.4**	312.9
Investment debtors		**135.6**	29.6	**17.5**	17.9	**118.1**	11.7
Other receivables		**34.5**	22.9	**29.9**	5.9	**4.6**	17.0
Deposits collected		**4.4**	5.3	**0.7**	0.8	**3.7**	4.5
Interfund balances		**1,222.9**	1,351.6	**1,087.0**	1,121.9	**135.9**	229.7
	21	**1,740.1**	1,794.7	**1,154.4**	1,218.9	**585.7**	575.8
Non-Financial Assets:							
Prepayments and others		**48.6**	40.4	**43.1**	35.5	**5.5**	4.9
		1,788.7	1,835.1	**1,197.5**	1,254.4	**591.2**	580.7

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2010	2009	2010	2009	2010	2009	2010	2009
19 INSURANCE RECEIVABLES									
Due from policyholders:									
Outstanding premiums		196.0	173.4	12.2	9.4	183.8	164.0	–	–
Policy loans		2,241.7	2,208.7	–	–	2,241.7	2,208.7	–	–
Due from reinsurers:									
Reinsurance assets		81.6	72.8	80.3	70.7	1.3	2.1	–	–
	21	2,519.3	2,454.9	92.5	80.1	2,426.8	2,374.8	–	–
Reinsurance assets comprise the following:									
Unexpired risk reserve	15	36.0	23.1	36.0	23.1	–	–	–	–
Loss reserve	16	38.9	43.2	38.9	43.2	–	–	–	–
Amounts due from reinsurers		6.7	6.5	5.4	4.4	1.3	2.1	–	–
Total assets arising from reinsurance contracts		81.6	72.8	80.3	70.7	1.3	2.1	–	–
20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND JOINT VENTURES									
Amounts due from subsidiaries		–	–	–	–	–	–	662.2	471.6
Loans to subsidiaries		–	–	–	–	–	–	173.3	212.7
Loan to joint venture		–	5.8	–	–	–	5.8	–	–
Amount due from joint venture		–	0.1	–	0.1	–	–	–	–
Provision for impairment of unsecured loan to subsidiary	6	–	–	–	–	–	–	(5.4)	(5.4)
	21	–	5.9	–	0.1	–	5.8	830.1	678.9
Amount due to joint venture		(0.3)	–	(0.3)	–	–	–	–	–

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

in Singapore Dollars (millions)	Note	Total 2010	Total 2009	SGIF 2010	SGIF 2009	LAF 2010	LAF 2009	Company 2010	Company 2009
21 LOANS AND RECEIVABLES									
Loans comprise the following:									
Secured loans		1,580.9	1,934.3	11.5	54.8	1,569.4	1,879.5	–	–
Unsecured loans		0.9	0.3	0.4	–	0.5	0.3	–	–
		1,581.8	1,934.6	11.9	54.8	1,569.9	1,879.8	–	–
less: Provision for impairment of secured loans	6	2.1	2.1	2.1	2.1	–	–	–	–
		1,579.7	1,932.5	9.8	52.7	1,569.9	1,879.8	–	–

If loans were carried at fair value, the carrying amounts would be as follows:

in Singapore Dollars (millions)	Note	Total 2010	Total 2009	SGIF 2010	SGIF 2009	LAF 2010	LAF 2009	Company 2010	Company 2009
Loans		1,597.8	1,943.0	9.8	52.7	1,588.0	1,890.3	–	–
Loans and receivables:									
Cash and cash equivalents		2,830.4	3,215.9	378.0	486.4	2,452.4	2,729.5	8.8	11.1
Other debtors and interfund balances	18	1,740.1	1,794.7	1,154.4	1,218.9	585.7	575.8	–	–
Insurance receivables	19	2,519.3	2,454.9	92.5	80.1	2,426.8	2,374.8	–	–
Loans		1,579.7	1,932.5	9.8	52.7	1,569.9	1,879.8	–	–
Amounts due from subsidiaries and joint ventures	20	–	5.9	–	0.1	–	5.8	830.1	678.9
Total loans and receivables at amortised cost		8,669.5	9,403.9	1,634.7	1,838.2	7,034.8	7,565.7	838.9	690.0

Notes to the Financial Statements

in Singapore Dollars (millions)	Notional Principal 2010	Derivative Financial Assets 2010	Derivative Financial Liabilities 2010	Notional Principal 2009	Derivative Financial Assets 2009	Derivative Financial Liabilities 2009
22 DERIVATIVE FINANCIAL INSTRUMENTS						
22.1 Total						
Foreign exchange:						
Forwards	**2,373.5**	**72.2**	**(7.8)**	1,849.4	21.5	(11.3)
Currency swaps	**2,734.8**	**368.0**	**(4.7)**	2,426.8	205.0	(33.0)
Interest rates:						
Swaps	**1,763.3**	**82.4**	**(11.6)**	1,617.4	94.2	(0.6)
Swaptions	**142.7**	**–**	**(1.7)**	0.9	–	(0.8)
Options	**–**	**–**	**–**	0.1	–	–
Exchange traded futures	**–**	**–**	**–**	241.2	1.7	(0.4)
Equity:						
Futures	**–**	**–**	**(0.1)**	–	–	(0.5)
Options	**24.7**	**0.5**	**–**	24.6	0.4	–
	7,039.0	**523.1**	**(25.9)**	6,160.4	322.8	(46.6)
22.2 Shareholders' and General Insurance Funds						
Foreign exchange:						
Forwards	**91.3**	**2.5**	**(0.1)**	25.6	0.4	(0.2)
Currency swaps	**16.6**	**1.9**	**–**	17.7	0.8	(0.1)
Interest rates:						
Swaps	**–**	**–**	**–**	62.5	–	(0.1)
	107.9	**4.4**	**(0.1)**	105.8	1.2	(0.4)
22.3 Life Assurance Fund						
Foreign exchange:						
Forwards	**2,282.2**	**69.7**	**(7.7)**	1,823.8	21.1	(11.1)
Currency swaps	**2,718.2**	**366.1**	**(4.7)**	2,409.1	204.2	(32.9)
Interest rates:						
Swaps	**1,763.3**	**82.4**	**(11.6)**	1,554.9	94.2	(0.5)
Swaptions	**142.7**	**–**	**(1.7)**	0.9	–	(0.8)
Options	**–**	**–**	**–**	0.1	–	–
Exchange traded futures	**–**	**–**	**–**	241.2	1.7	(0.4)
Equity:						
Futures	**–**	**–**	**(0.1)**	–	–	(0.5)
Options	**24.7**	**0.5**	**–**	24.6	0.4	–
	6,931.1	**518.7**	**(25.8)**	6,054.6	321.6	(46.2)

The table above shows the fair value of derivative financial instruments, recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and the basis upon which changes in the value of derivatives are measured.

The fair value of derivatives shown 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.

Notes to the Financial Statements

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009
23 INVESTMENTS							
23.1 Available-for-sale financial assets							
Equity securities							
(i) Quoted equity securities		**9,486.5**	7,421.3	**936.8**	576.1	**8,549.7**	6,845.2
(ii) Unquoted equity securities		**664.7**	401.6	**0.4**	0.4	**664.3**	401.2
		10,151.2	7,822.9	**937.2**	576.5	**9,214.0**	7,246.4
less: Provision for impairment of quoted equity securities	6	**65.4**	120.6	**0.3**	6.3	**65.1**	114.3
Provision for impairment of unquoted equity securities	6	**30.7**	12.1	**–**	–	**30.7**	12.1
		10,055.1	7,690.2	**936.9**	570.2	**9,118.2**	7,120.0
Debt securities							
(iii) Quoted debt securities [1]		**15,457.4**	14,109.8	**1,233.4**	789.1	**14,224.0**	13,320.7
(iv) Unquoted debt securities		**10,412.0**	9,254.2	**474.2**	626.9	**9,937.8**	8,627.3
		25,869.4	23,364.0	**1,707.6**	1,416.0	**24,161.8**	21,948.0
less: Provision for impairment of quoted debt securities	6	**0.2**	0.3	**–**	0.3	**0.2**	–
Provision for impairment of unquoted debt securities	6	**22.9**	6.1	**6.1**	6.1	**16.8**	–
		25,846.3	23,357.6	**1,701.5**	1,409.6	**24,144.8**	21,948.0
Other investments							
(v) Collective investment schemes [2]		**1,283.6**	1,353.5	**142.1**	108.3	**1,141.5**	1,245.2
less: Provision for impairment of collective investment schemes	6	**2.7**	16.4	**0.9**	5.2	**1.8**	11.2
		1,280.9	1,337.1	**141.2**	103.1	**1,139.7**	1,234.0
Total Available-for-sale financial assets		**37,182.3**	32,384.9	**2,779.6**	2,082.9	**34,402.7**	30,302.0
23.2 Securities at fair value through profit or loss							
Equity securities							
(i) Quoted equity securities		**2,199.3**	1,978.8	**–**	0.6	**2,199.3**	1,978.2
		2,199.3	1,978.8	**–**	0.6	**2,199.3**	1,978.2
Debt securities							
(ii) Quoted debt securities		**399.3**	405.8	**–**	–	**399.3**	405.8
(iii) Unquoted debt securities		**291.6**	243.0	**–**	–	**291.6**	243.0
		690.9	648.8	**–**	–	**690.9**	648.8
Other investments							
(iv) Collective investment schemes [2]		**931.9**	666.8	**–**	–	**931.9**	666.8
Total securities at fair value through profit or loss [3]		**3,822.1**	3,294.4	**–**	0.6	**3,822.1**	3,293.8
23.3 Financial instruments held-for-trading							
(i) Embedded derivatives		**688.6**	879.6	**159.5**	234.8	**529.1**	644.8
Total financial instruments held-for-trading		**688.6**	879.6	**159.5**	234.8	**529.1**	644.8
TOTAL INVESTMENTS		**41,693.0**	36,558.9	**2,939.1**	2,318.3	**38,753.9**	34,240.6

(1) Included in quoted debt securities are quoted government securities amounting to $2.5 million (2009: $2.6 million) which are lodged with the regulator as statutory deposits.

(2) Collective investment schemes include but are not limited to unit trusts, hedge funds and real estate investment funds.

(3) 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 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009
24 ASSOCIATES AND JOINT VENTURES							
Associates	24.1	**258.6**	232.0	**7.1**	10.0	**251.5**	222.0
Joint Ventures	24.2	**78.6**	91.9	**78.3**	88.0	**0.3**	3.9
Carrying amount at 31 December		**337.2**	323.9	**85.4**	98.0	**251.8**	225.9
24.1 Associates							
Investment in shares, at cost		**253.4**	254.5	**9.3**	13.3	**244.1**	241.2
Share of post-acquisition results		**14.2**	(21.8)	**(2.2)**	(3.3)	**16.4**	(18.5)
Translation adjustment		**(9.0)**	(0.7)	**–**	–	**(9.0)**	(0.7)
		5.2	(22.5)	**(2.2)**	(3.3)	**7.4**	(19.2)
Carrying amount at 31 December	24	**258.6**	232.0	**7.1**	10.0	**251.5**	222.0
Fair value of investment in associates for which there is published price quotation		**257.2**	232.5	**7.1**	10.0	**250.1**	222.5

For the current financial year, the Group recognised its share of the associates' operating results based on unaudited records available up to 30 November 2010.

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) for the year
Total as at 31 December 2010	**1,236.3**	**(466.5)**	**166.6**	**107.8**
Total as at 31 December 2009	1,088.1	(273.8)	(5.9)	(25.7)

in Singapore Dollars (millions)	Note	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009
24.2 Joint Ventures							
Investment in shares, at cost		**102.8**	102.8	**102.8**	102.8	**–**	–
Share of post-acquisition results		**(20.3)**	(11.2)	**(20.6)**	(15.1)	**0.3**	3.9
Translation adjustment		**(3.9)**	0.3	**(3.9)**	0.3	**–**	–
		(24.2)	(10.9)	**(24.5)**	(14.8)	**0.3**	3.9
Carrying amount at 31 December	24	**78.6**	91.9	**78.3**	88.0	**0.3**	3.9

Notes to the Financial Statements

24 ASSOCIATES AND JOINT VENTURES (continued)

24.2 Joint Ventures (continued)

The aggregate amounts of each of non-current assets, current assets, non-current liabilities, current liabilities, revenue and expenses related to the Group's interests in the jointly-controlled entities are as follows:

in Singapore Dollars (millions)	Non-Current Assets	Current Assets	Non-Current Liabilities	Current Liabilities	Revenue	Expenses
Total as at 31 December 2010	**41.1**	**269.1**	**(124.8)**	**(28.2)**	**108.9**	**(121.7)**
Total as at 31 December 2009	21.0	237.6	(50.7)	(32.0)	52.2	(64.7)

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.

		Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
in Singapore Dollars (millions)	Note	2010	2009	2010	2009	2010	2009	2010	2009
25 SUBSIDIARIES									
Investment in shares, at cost		**–**	–	**–**	–	**–**	–	**959.1**	917.3
Distribution from pre-acquisition reserve		**–**	–	**–**	–	**–**	–	**(281.8)**	(281.8)
		–	–	**–**	–	**–**	–	**677.3**	635.5

		Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
in Singapore Dollars (millions)	Note	2010	2009	2010	2009	2010	2009
26 GOODWILL							
Cost:							
Carrying amount on 1 January and 31 December		**25.5**	25.5	**18.7**	18.7	**6.8**	6.8
Impairment:							
At 1 January		**(6.8)**	–	**–**	–	**(6.8)**	–
Impairment loss		**–**	(6.8)	**–**	–	**–**	(6.8)
At 31 December		**(6.8)**	(6.8)	**–**	–	**(6.8)**	(6.8)
Net carrying amount:							
At 31 December		**18.7**	18.7	**18.7**	18.7	**–**	–

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.

Notes to the Financial Statements

26 GOODWILL (continued)

26.1 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 2010	$18.7 million
Basis on which recoverable values are determined (1)	Value in use
Terminal growth rate (2)	2%
Discount rate (3)	9%

Subsidiary – Straits Eastern Square Pte Ltd

Carrying value of capitalised goodwill as at 31 December 2010	nil
Basis on which recoverable values are determined (4)	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.

(4) The fair value of investment property held 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.

No impairment loss (2009: $6.8 million) was required for the financial year ended 31 December 2010 against the amounts of goodwill recorded above as the recoverable values were in excess of the carrying values. A reasonably possible change in key assumptions will not cause the carrying values above to materially exceed the recoverable amounts.

Notes to the Financial Statements

27 INVESTMENT PROPERTIES

in Singapore Dollars (millions)	Note	Group 2010	Group 2009
LIFE ASSURANCE FUND			
Balance sheet:			
At 1 January		**1,118.9**	1,073.5
Additions (subsequent expenditure)		**0.8**	1.1
Net gain from fair value adjustments		**231.4**	31.1
Disposals/assets written off		**–**	(16.4)
Reclassification from property, plant and equipment	28	**–**	32.2
Currency translation reserve adjustment		**4.3**	(2.6)
At 31 December		**1,355.4**	1,118.9
Revenue statement:			
Rental income from investment properties:			
– Minimum lease payments		**78.8**	79.5
Direct operating expenses (including repairs and maintenance) arising from:			
– Rental generating properties		**(19.5)**	(20.3)
– Non-rental generating properties		**(0.1)**	(0.2)
		(19.6)	(20.5)

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 assurance business.

Fair value of the investment properties as at 31 December 2010 is determined based on objective valuations undertaken by independent valuers at the balance sheet date. Valuations are performed by accredited independent valuers with recent experience in the location and category of the properties being valued. The valuations are based primarily on the comparable method and the income method. The comparable method involves the analysis of transactions of comparable properties in the subject/comparable vicinities with adjustments made for differences in location, floor area, tenure, age and condition, quality and finishes, date of transaction and prevailing market condition amongst other factors affecting value. The income method makes reference to estimated market rental values and equivalent yields. 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.

There was no reclassification (2009: $32.2 million) from property, plant and equipment during the year for assets which qualify for recognition as part of investment properties.

Notes to the Financial Statements

28 PROPERTY, PLANT AND EQUIPMENT

		Group						
in Singapore Dollars (millions)	Note	Freehold Land [1]	Leasehold Land [1]	Capital Works In Progress	Buildings [1]	Computer Equipment and Software Development Costs	Other Assets [2]	Total
28.1 Total								
Cost								
At 1 January 2009								
Cost		62.4	39.7	31.8	623.3	277.7	80.2	1,115.1
Additions		–	0.2	1.8	4.2	15.7	2.3	24.2
Disposals/assets written off		–	–	(0.2)	–	(5.6)	(1.3)	(7.1)
Reclassification to investment properties [3]	27	–	–	(31.5)	(0.9)	–	–	(32.4)
Currency translation reserve adjustment		(0.1)	(0.1)	–	(1.8)	(1.7)	(0.5)	(4.2)
Cost at 31 December 2009 and 1 January 2010		62.3	39.8	1.9	624.8	286.1	80.7	1,095.6
Additions		**–**	**–**	**8.4**	**0.2**	**17.8**	**2.4**	**28.8**
Disposals/assets written off		**–**	**–**	**(0.5)**	**–**	**(2.1)**	**(0.9)**	**(3.5)**
Reclassification		**–**	**–**	**(0.7)**	**–**	**–**	**0.7**	**–**
Currency translation reserve adjustment		**0.1**	**0.2**	**–**	**3.2**	**2.7**	**0.9**	**7.1**
Cost at 31 December 2010		**62.4**	**40.0**	**9.1**	**628.2**	**304.5**	**83.8**	**1,128.0**
Accumulated Depreciation								
At 1 January 2009		(1.4)	(2.1)	–	(142.4)	(118.6)	(46.4)	(310.9)
Depreciation charge for the year		–	(0.1)	–	(13.1)	(26.8)	(7.0)	(47.0)
Disposals/assets written off		–	–	–	–	3.1	1.0	4.1
Reclassification to investment properties [3]	27	–	–	–	0.2	–	–	0.2
Currency translation reserve adjustment		–	–	–	0.4	0.9	0.4	1.7
At 31 December 2009 and 1 January 2010		(1.4)	(2.2)	–	(154.9)	(141.4)	(52.0)	(351.9)
Depreciation charge for the year		**–**	**–**	**–**	**(13.5)**	**(28.2)**	**(7.2)**	**(48.9)**
Disposals/assets written off		**–**	**–**	**–**	**–**	**1.9**	**0.6**	**2.5**
Currency translation reserve adjustment		**–**	**(0.2)**	**–**	**(0.4)**	**(1.1)**	**(0.5)**	**(2.2)**
Accumulated Depreciation, at 31 December 2010		**(1.4)**	**(2.4)**	**–**	**(168.8)**	**(168.8)**	**(59.1)**	**(400.5)**
Net Book Value								
Net Book Value, at 31 December 2009		60.9	37.6	1.9	469.9	144.7	28.7	743.7
Net Book Value, at 31 December 2010		**61.0**	**37.6**	**9.1**	**459.4**	**135.7**	**24.7**	**727.5**

Notes to the Financial Statements

28 PROPERTY, PLANT AND EQUIPMENT (continued)

in Singapore Dollars (millions)	Note	Group						
		Freehold Land [1]	Leasehold Land [1]	Capital Works In Progress	Buildings [1]	Computer Equipment and Software Development Costs	Other Assets [2]	Total
28.2 Shareholders' and General Insurance Funds								
Cost								
At 1 January 2009		–	–	–	–	6.0	4.6	10.6
Additions		–	–	–	–	0.9	0.5	1.4
Disposals/assets written off		–	–	–	–	(0.1)	(0.1)	(0.2)
Reclassification		–	–	–	–	1.8	1.2	3.0
Cost at 31 December 2009 and 1 January 2010		–	–	–	–	8.6	6.2	14.8
Additions		**–**	**–**	**–**	**–**	**1.7**	**0.4**	**2.1**
Disposals/assets written off		**–**	**–**	**–**	**–**	**(0.4)**	**(0.9)**	**(1.3)**
Cost at 31 December 2010		**–**	**–**	**–**	**–**	**9.9**	**5.7**	**15.6**
Accumulated Depreciation								
At 1 January 2009		–	–	–	–	(4.6)	(3.0)	(7.6)
Depreciation charge for the year		–	–	–	–	(1.1)	(0.9)	(2.0)
Currency translation reserve adjustment		–	–	–	–	–	(0.1)	(0.1)
At 31 December 2009 and 1 January 2010		–	–	–	–	(5.7)	(4.0)	(9.7)
Depreciation charge for the year		**–**	**–**	**–**	**–**	**(1.3)**	**(0.7)**	**(2.0)**
Disposals/assets written off		**–**	**–**	**–**	**–**	**0.2**	**0.6**	**0.8**
Accumulated Depreciation, at 31 December 2010		**–**	**–**	**–**	**–**	**(6.8)**	**(4.1)**	**(10.9)**
Net Book Value								
Net Book Value, at 31 December 2009		–	–	–	–	2.9	2.2	5.1
Net Book Value, at 31 December 2010		**–**	**–**	**–**	**–**	**3.1**	**1.6**	**4.7**

Notes to the Financial Statements

28 PROPERTY, PLANT AND EQUIPMENT (continued)

in Singapore Dollars (millions)	Note	Freehold Land (1)	Leasehold Land (1)	Capital Works In Progress	Buildings (1)	Computer Equipment and Software Development Costs	Other Assets (2)	Total
		Group						
28.3 Life Assurance Fund								
Cost								
At 1 January 2009								
Cost		62.4	39.7	31.8	623.3	271.7	75.6	1,104.5
Additions		–	0.2	1.8	4.2	14.8	1.8	22.8
Disposals/assets written off		–	–	(0.2)	–	(5.5)	(1.2)	(6.9)
Reclassification		–	–	–	–	(1.8)	(1.2)	(3.0)
Reclassification to investment properties (3)	27	–	–	(31.5)	(0.9)	–	–	(32.4)
Currency translation reserve adjustment		(0.1)	(0.1)	–	(1.8)	(1.7)	(0.5)	(4.2)
Cost at 31 December 2009 and 1 January 2010		62.3	39.8	1.9	624.8	277.5	74.5	1,080.8
Additions		**–**	**–**	**8.4**	**0.2**	**16.1**	**2.0**	**26.7**
Disposals/assets written off		**–**	**–**	**(0.5)**	**–**	**(1.7)**	**–**	**(2.2)**
Reclassification		**–**	**–**	**(0.7)**	**–**	**–**	**0.7**	**–**
Currency translation reserve adjustment		**0.1**	**0.2**	**–**	**3.2**	**2.7**	**0.9**	**7.1**
Cost at 31 December 2010		**62.4**	**40.0**	**9.1**	**628.2**	**294.6**	**78.1**	**1,112.4**
Accumulated Depreciation								
At 1 January 2009		(1.4)	(2.1)	–	(142.4)	(114.0)	(43.4)	(303.3)
Depreciation charge for the year		–	(0.1)	–	(13.1)	(25.7)	(6.1)	(45.0)
Disposals/assets written off		–	–	–	–	3.1	1.0	4.1
Reclassification to investment properties (3)	27	–	–	–	0.2	–	–	0.2
Currency translation reserve adjustment		–	–	–	0.4	0.9	0.5	1.8
At 31 December 2009 and 1 January 2010		(1.4)	(2.2)	–	(154.9)	(135.7)	(48.0)	(342.2)
Depreciation charge for the year		**–**	**–**	**–**	**(13.5)**	**(26.9)**	**(6.5)**	**(46.9)**
Disposals/assets written off		**–**	**–**	**–**	**–**	**1.7**	**–**	**1.7**
Currency translation reserve adjustment		**–**	**(0.2)**	**–**	**(0.4)**	**(1.1)**	**(0.5)**	**(2.2)**
Accumulated Depreciation, at 31 December 2010		**(1.4)**	**(2.4)**	**–**	**(168.8)**	**(162.0)**	**(55.0)**	**(389.6)**
Net Book Value								
Net Book Value, at 31 December 2009		60.9	37.6	1.9	469.9	141.8	26.5	738.6
Net Book Value, at 31 December 2010		**61.0**	**37.6**	**9.1**	**459.4**	**132.6**	**23.1**	**722.8**

As at year end, the Company held motor vehicles with a net book value of $0.1 million (31 December 2009: $0.2 million) and furniture and fittings with a net book value of $0.1 million (31 December 2009: $0.1 million). Depreciation for the period on motor vehicles was $0.1 million (2009: $0.1 million).

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

in Singapore Dollars (millions)	Group 2010	Group 2009
Freehold land, Leasehold land and Buildings	**592.0**	571.6

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

(3) There was no reclassification (2009: $32.2 million) from property, plant and equipment during the year for assets which qualify for recognition as part of investment properties.

Notes to the Financial Statements

29 EXECUTIVES' SHARE OPTION SCHEME

29.1 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 increments 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 the 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 2010, OCBC Bank granted 671,200 options (2009: 424,706) to GEH Optionholders to acquire ordinary shares in OCBC Bank ("OCBC shares") pursuant to 2001 scheme. No options were granted to directors of the Company (2009: nil). The fair value of share options granted during the financial year ended 31 December 2010, determined using the binomial valuation model, was $1.5 million (2009: $0.6 million). Significant inputs that were used to determine the fair value of options granted are set out below.

Notes to the Financial Statements

29 EXECUTIVES' SHARE OPTION SCHEME (continued)

29.1 OCBC Share Option Scheme (continued)

	2010	2009
Acquisition price ($)	**8.76**	4.14
Average share price from grant date to acceptance date ($)	**8.85**	4.97
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	**28.10**	40.43
Risk-free rate based on SGS bond yield at acceptance date (%)	**2.79**	2.06
Expected dividend yield (%)	**3.16**	5.63
Exercise multiple (times)	**1.57**	1.57
Option life (years)	**10**	10

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

	2010		2009	
	Number of Options	Average Price	Number of Options	Average Price
Number of shares comprised in options:				
At beginning of year	**4,454,413**	**$6.803**	4,723,722	$6.975
Granted during the year	**671,200**	**$8.762**	424,706	$4.138
Lapsed during the year	**(150,249)**	**$7.985**	(244,845)	$6.649
Exercised during the year	**(1,370,370)**	**$6.633**	(449,170)	$6.175
Outstanding at end of year	**3,604,994**	**$7.183**	4,454,413	$6.803
Exercisable at end of year	**2,416,361**	**$7.066**	2,982,117	$6.177
Weighted average share price underlying the options exercised during the financial year		**$9.111**		$7.605

Details of the options outstanding as at 31 December 2010 are as follows:

				2010	
Grant Year	Grant Date	Exercise Period	Acquisition Price	Outstanding	Exercisable
2004	15.03.2004	16.03.2005 – 14.03.2014	**$5.142**	**7,800**	**7,800**
2005	14.03.2005	15.03.2006 – 13.03.2015	**$5.767**	**17,024**	**17,024**
2005A	08.04.2005	09.04.2006 – 07.04.2015	**$5.784**	**536,160**	**536,160**
2006B	23.05.2006	24.05.2007 – 22.05.2016	**$6.580**	**594,210**	**594,210**
2007B	14.03.2007	15.03.2008 – 13.03.2017	**$8.590**	**686,000**	**686,000**
2008	14.03.2008	15.03.2009 – 13.03.2018	**$7.520**	**857,760**	**488,350**
2009	16.03.2009	17.03.2010 – 15.03.2019	**$4.138**	**332,540**	**86,817**
2010	15.03.2010	16.03.2011 – 14.03.2020	**$8.762**	**573,500**	**–**
				3,604,994	**2,416,361**

The carrying amount of the liability recognised on the Group's balance sheet related to the above equity-settled options at 31 December 2010 is $3.3 million (31 December 2009: $3.1 million).

As at 31 December 2010, the weighted average remaining contractual life of outstanding options was 6.7 years (2009: 7.5 years). There were no aggregate outstanding number of options held by directors of the Company (2009: nil).

Notes to the Financial Statements

29 EXECUTIVES' SHARE OPTION SCHEME (continued)

29.2 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 115,340 (2009: 236,155) OCBC ordinary shares were granted to eligible executives of GEH Group under the DSP, of which none (2009: nil) were granted to the directors of the Company. The fair value of the shares at grant date was $1.0 million (2009: $1.0 million). In addition, total awards of 22,817 OCBC shares (of which none were granted to directors of the Company) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2009 (2009: 37,710 OCBC shares (of which none were granted to directors of the Company) awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2008).

29.3 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.

In June 2010, the fifth offering of the ESP Plan was launched, commencing on 1 July 2010 and expiring on 30 June 2012. Under the offering, OCBC Bank granted 511,707 (2009: 489,276) rights to acquire ordinary shares in the Bank. The fair value of the rights, determined using the binomial valuation model was $0.4 million (2009: $1.0 million). Significant inputs to the valuation model are set out below.

	2010	**2009**
Acquisition price ($)	**8.75**	6.61
Average share price ($)	**8.32**	7.23
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	**22.31**	44.66
Risk-free rate based on 2-year swap rate (%)	**1.16**	1.99
Expected dividend yield (%)	**2.69**	3.10

Notes to the Financial Statements

29 EXECUTIVES' SHARE OPTION SCHEME (continued)

29.3 OCBC Employee Share Purchase Plan ("ESP") (continued)

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

	2010		2009	
	Number of Subscription Rights	Weighted Average Subscription Price	Number of Subscription Rights	Weighted Average Subscription Price
At 1 January	**1,104,572**	**$7.554**	1,255,765	$8.270
Subscriptions on commencement of plan	**511,707**	**$8.750**	489,276	$6.610
Exercised	**(608,367)**	**$8.018**	–	–
Lapsed / Forfeited	**(197,012)**	**$7.896**	(640,469)	$8.237
At 31 December	**810,900**	**$7.877**	1,104,572	$7.554
Average share price underlying acquisition rights exercised during the year		**$8.963**		$8.334

As at 31 December 2010, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2009: 0.9 years). No director of GEH Group has acquisition rights under the ESP Plan (2009: nil).

	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
in Singapore Dollars (millions)	2010	2009	2010	2009	2010	2009	2010	2009

30 COMMITMENTS

30.1 Capital commitments

Commitments for capital expenditure not provided for in the financial statements:

– investment properties	**55.1**	0.7	**–**	–	**55.1**	0.7	**–**	–
– property, plant and equipment	**10.2**	9.4	**–**	–	**10.2**	9.4	**–**	–
	65.3	10.1	**–**	–	**65.3**	10.1	**–**	–

30.2 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	**29.2**	27.5	**–**	–	**29.2**	27.5	**–**	–
After one year but not more than five years	**36.0**	39.9	**–**	–	**36.0**	39.9	**–**	–
More than five years	**0.2**	0.2	**–**	–	**0.2**	0.2	**–**	–
	65.4	67.6	**–**	–	**65.4**	67.6	**–**	–

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 $0.8 million (2009: $0.5 million).

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

Within one year	**2.2**	3.8	**1.5**	2.0	**0.7**	1.8	**–**	–
After one year but not more than five years	**2.3**	2.5	**0.4**	1.3	**1.9**	1.2	**–**	–
	4.5	6.3	**1.9**	3.3	**2.6**	3.0	**–**	–

Notes to the Financial Statements

in Singapore Dollars (millions)	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009

31 RELATED PARTY TRANSACTIONS

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.

31.1 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:

in Singapore Dollars (millions)	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009
Management and performance fees paid by insurance funds to subsidiaries	**41.1**	36.0	**4.0**	3.3	**37.1**	32.7	**–**	–
Fees and commission and other income received from:								
– holding company	**2.6**	2.2	**2.6**	2.2	**–**	–	**–**	–
– related parties of the holding company	**4.4**	4.2	**2.2**	2.0	**2.2**	2.2	**–**	–
Fees and commission expense paid to:								
– holding company	**23.3**	19.8	**2.1**	–	**21.2**	19.8	**–**	–
– related parties of the holding company	**19.7**	10.5	**1.9**	–	**17.8**	10.5	**–**	–
Interest income received from:								
– holding company	**0.7**	0.8	**0.2**	0.4	**0.5**	0.4	**–**	–
– related parties of the holding company	**14.3**	13.3	**0.6**	0.9	**13.7**	12.4	**–**	–
Rental income received from related parties of the holding company	**1.1**	0.4	**–**	–	**1.1**	0.4	**–**	–
Other expenses paid to:								
– holding company	**5.4**	4.7	**3.4**	2.9	**2.0**	1.8	**–**	–
– related parties of the holding company	**4.4**	4.1	**0.8**	2.7	**3.6**	1.4	**–**	–

Notes to the Financial Statements

in Singapore Dollars (millions)	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009
31 RELATED PARTY TRANSACTIONS (continued)								
31.2 Balance sheet balances with related parties								
Balance sheet balances with related parties as at 31 December are as follows:								
Cash and cash equivalents held with:								
– holding company	**420.5**	436.2	**65.4**	101.8	**355.1**	334.4	**8.8**	11.1
– related parties of the holding company	**510.4**	354.7	**35.6**	35.0	**474.8**	319.7	**–**	–
Amount due to holding company	**3.3**	3.1	**3.3**	3.1	**–**	–	**–**	–
Investments in quoted debt securities and preference shares of:								
– holding company	**386.9**	425.4	**–**	0.7	**386.9**	424.7	**–**	–
– related parties of the holding company	**173.6**	81.8	**–**	–	**173.6**	81.8	**–**	–
Derivative financial assets held with:								
– holding company	**185.7**	102.7	**0.5**	–	**185.2**	102.7	**–**	–
Derivative financial liabilities held with:								
– holding company	**3.0**	7.0	**–**	–	**3.0**	7.0	**–**	–

Outstanding balances at balance sheet date are unsecured and interest free. Settlement will take place in cash.

There was no provision for doubtful debts at the balance sheet date and no bad debt expense for the year (2009: Nil).

31.3 Compensation of key management personnel

in Singapore Dollars (millions)	Group Total 2010	Group Total 2009	Shareholders' and General Insurance Funds 2010	Shareholders' and General Insurance Funds 2009	Life Assurance Fund 2010	Life Assurance Fund 2009	Company 2010	Company 2009
Short-term employee benefits	**11.1**	8.9	**4.4**	3.2	**6.7**	5.7	**1.7**	1.2
Other long-term benefits	**0.6**	0.9	**0.3**	0.3	**0.3**	0.6	**–**	–
Central Provident Fund/Employee Provident Fund	**0.3**	0.2	**0.1**	–	**0.2**	0.2	**–**	–
Share-based payments	**0.9**	1.0	**0.1**	0.1	**0.8**	0.9	**–**	–
	12.9	11.0	**4.9**	3.6	**8.0**	7.4	**1.7**	1.2
Comprise amounts paid to:								
Directors of the Company	**4.0**	4.3	**1.9**	1.4	**2.1**	2.9	**1.6**	1.1
Other key management personnel	**8.9**	6.7	**3.0**	2.2	**5.9**	4.5	**0.1**	0.1
	12.9	11.0	**4.9**	3.6	**8.0**	7.4	**1.7**	1.2

32 SEGMENTAL INFORMATION

Business Segments

For management purposes, the Group's 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 Group's principal operations are organised into the Life Assurance, General Insurance and Shareholders segments. The results of these segments are reported separately in internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

Notes to the Financial Statements

32 SEGMENTAL INFORMATION (continued)

Business Segments (continued)

a. Life Assurance Segment

The Life Assurance segment provides different types of products, comprising life insurance, long-term health and accident insurance, annuity business written and includes the unit-linked business. The Life Assurance segment is further organised into three reportable segments based on the type of product provided – the Participating Business, Non-participating Business and Linked Business segments.

Under the Participating Business segment, the insurance contracts issued by subsidiaries within the Group contain a discretionary participating feature. 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, commonly referred to as a policyholder bonus, which is derived from the investment performance of the pool of assets and operating experience of all the participating policies managed by each insurance subsidiary within the Group.

Under the Non-participating Business segment, the insurance contracts issued by insurance subsidiaries within the Group transfer both insurance and investment risks from policyholders to the insurance subsidiaries within the Group. 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.

Under the Linked Business segment, the insurance subsidiaries within the Group issue contracts which transfer insurance risk alone from policyholders to the insurance subsidiaries within the Group. The net investment returns derived from the variety of investment funds as selected by the policyholder accrue directly to the policyholder.

b. General Insurance Segment

Under the General Insurance business, 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.

c. Shareholders Segment

The Shareholders segment comprises two reportable segments, the Fund Management and Financial Advisory Business, and Other Shareholders segments.

The Fund Management and Financial Advisory Business segment provides fund management services for absolute return/balanced mandates with different risk-return characteristics and manages a range of products, including Asia Pacific equities, Asian and global fixed income securities portfolios. Clients include Singapore statutory boards, government-linked corporations, public and private companies, insurance companies and charity organisations.

The Other Shareholders segment comprises activities not related to the core business segments, and includes general corporate income and expense items.

Geographical Segments

The Group's risks and rewards are affected by operating conditions in different countries and geographical areas. Therefore, for management purposes, the Group is also organised on a geographical basis into Singapore, Malaysia and Other Asia, based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the respective location of its customers.

Segment Accounting Policies, Allocation Basis and Transfer Pricing

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2.

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.

Notes to the Financial Statements

32 SEGMENTAL INFORMATION (continued)

(1) By Business Segments

in Singapore Dollars (millions)	Group: Fund Management and Financial Advisory Business 2010	Fund Management and Financial Advisory Business 2009	Others 2010	Others 2009	Adjustments and Eliminations 2010	Adjustments and Eliminations 2009	Note	Group: Consolidated 2010	Consolidated 2009
(a) Shareholders' Fund									
Investment income, net	**0.3**	0.2	**115.9**	109.4	**(21.9)**	(20.6)	(1)	**94.3**	89.0
Gain on sale of investments and changes in fair value	**0.2**	–	**56.7**	12.6	**–**	–		**56.9**	12.6
Increase in provision for impairment of assets	**–**	–	**(4.0)**	(16.2)	**–**	–		**(4.0)**	(16.2)
Gain/(loss) on exchange differences	**0.9**	(0.1)	**(3.8)**	0.8	**–**	–		**(2.9)**	0.7
Loss on redemption of GreatLink Choice	**–**	–	**–**	(213.3)	**–**	–		**–**	(213.3)
Profit/(loss) from investments	**1.4**	0.1	**164.8**	(106.7)	**(21.9)**	(20.6)		**144.3**	(127.2)
Fees and other income	**71.8**	64.5	**1.2**	2.5	**(3.9)**	(3.3)	(1)	**69.1**	63.7
Profit/(loss) before expenses	**73.2**	64.6	**166.0**	(104.2)	**(25.8)**	(23.9)		**213.4**	(63.5)
Management and other expenses	**34.3**	30.7	**32.0**	34.0	**–**	–		**66.3**	64.7
Depreciation	**0.5**	0.7	**1.1**	0.9	**–**	–		**1.6**	1.6
Total expenses	**34.8**	31.4	**33.1**	34.9	**–**	–		**67.9**	66.3
Profit after expenses	**38.4**	33.2	**132.9**	(139.1)	**(25.8)**	(23.9)		**145.5**	(129.8)
Share of profit of associates	**–**	–	**0.1**	0.6	**–**	–		**0.1**	0.6
Share of loss of joint ventures	**–**	–	**(5.6)**	(6.2)	**–**	–		**(5.6)**	(6.2)
Segment profit/(loss) before income tax	**38.4**	33.2	**127.4**	(144.7)	**(25.8)**	(23.9)		**140.0**	(135.4)
Income tax	**(5.3)**	(6.3)	**(78.4)**	(85.6)	**–**	–		**(83.7)**	(91.9)
Segment profit/(loss) after income tax	**33.1**	26.9	**49.0**	(230.3)	**(25.8)**	(23.9)		**56.3**	(227.3)
Reconciliation to consolidated Profit & Loss Statement:									
Profit from insurance operations								**460.0**	751.9
Profit per Profit & Loss Statement								**516.3**	524.6

(1) Inter-segment dividend and management fee income are eliminated on consolidation.

in Singapore Dollars (millions)	Fund Management and Financial Advisory Business 2010	Fund Management and Financial Advisory Business 2009	Others 2010	Others 2009	Adjustments and Eliminations 2010	Adjustments and Eliminations 2009	Note	Consolidated 2010	Consolidated 2009
Other material items:									
Interest income	**0.2**	0.3	**70.9**	71.3	**–**	–		**71.1**	71.6
Staff costs and related expenses (including executive directors and key management personnel compensation)	**27.7**	21.2	**15.3**	16.8	**–**	–		**43.0**	38.0
Rental expense	**1.6**	2.1	**1.2**	1.7	**–**	–		**2.8**	3.8
Loss on redemption of GreatLink Choice	**–**	–	**–**	213.3	**–**	–		**–**	213.3
Non-cash items:									
Depreciation	**0.5**	0.7	**1.1**	0.9	**–**	–		**1.6**	1.6
Impairment of assets	**–**	–	**4.0**	16.2	**–**	–		**4.0**	16.2
Changes in fair value of investments:									
– through Profit & Loss Statement	**–**	–	**(45.4)**	(9.9)	**–**	–		**(45.4)**	(9.9)
– through equity	**0.4**	6.5	**174.7**	175.7	**–**	–		**175.1**	182.2

Notes to the Financial Statements

32 SEGMENTAL INFORMATION (continued)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group: Fund Management and Financial Advisory Business 31 Dec 10	31 Dec 09	Others 31 Dec 10	31 Dec 09	Adjustments and Eliminations 31 Dec 10	31 Dec 09	Note	Group: Consolidated 31 Dec 10	31 Dec 09
(a) Shareholders' Fund (continued)									
Assets and liabilities:									
Segment assets	**89.0**	98.2	**4,272.8**	3,892.7	**14.2**	16.7		**4,376.0**	4,007.6
Investments in associates and joint ventures	**–**	–	**85.4**	98.0	**–**	–		**85.4**	98.0
Total assets	**89.0**	98.2	**4,358.2**	3,990.7	**14.2**	16.7		**4,461.4**	4,105.6
Segment liabilities	**13.9**	19.0	**202.0**	359.4	**–**	–		**215.9**	378.4
Income tax and deferred tax liabilities	**7.3**	8.2	**179.2**	126.0	**–**	–		**186.5**	134.2
Total liabilities	**21.2**	27.2	**381.2**	485.4	**–**	–		**402.4**	512.6
Other segment information:									
Additions to non-current assets									
– property, plant and equipment	**0.4**	0.2	**1.1**	1.0	**–**	–		**1.5**	1.2

(b) General Insurance Fund

The segment profit/(loss) information for general insurance fund has not been presented below as it is considered a single business segment and disclosure of the information can be found in the General Insurance Revenue Statement. All revenues in the General Insurance Fund are from external customers. Material non-cash items consist of depreciation and impairment of assets, which can be found in the General Insurance Revenue Statement.

in Singapore Dollars (millions)	Group: General Insurance Fund 2010	2009
Other material items:		
Interest income	**6.9**	5.3
Staff costs and related expenses (including executive directors and key management personnel compensation)	**15.3**	13.8
Rental expense	**1.6**	1.6

in Singapore Dollars (millions)	31 Dec 10	31 Dec 09
Assets and liabilities:		
Total assets	**268.7**	209.4
Segment liabilities	**259.0**	202.0
Income tax and deferred tax liabilities	**9.7**	7.4
Total liabilities	**268.7**	209.4
Other segment information:		
Additions to non-current assets		
– property, plant and equipment	**0.6**	0.3

Notes to the Financial Statements

32 SEGMENTAL INFORMATION (continued)
(1) By Business Segments (continued)

	Group									
	Participating Business		Non-Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
in Singapore Dollars (millions)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
(c) Life Assurance Fund										
Premiums less reassurances	**4,028.0**	3,991.7	**832.5**	874.8	**1,005.9**	722.3	**–**	–	**5,866.4**	5,588.8
Commissions received from reinsurers	**7.4**	14.8	**4.6**	6.8	**1.9**	3.1	**–**	–	**13.9**	24.7
Investment income, net	**1,366.7**	1,219.8	**165.8**	153.8	**90.0**	93.9	**–**	–	**1,622.5**	1,467.5
Rental income, net	**54.8**	54.8	**4.4**	4.2	**–**	–	**–**	–	**59.2**	59.0
Gain/(loss) on sale of investments and changes in fair value	**751.3**	172.2	**106.3**	(11.7)	**230.8**	1,146.0	**–**	–	**1,088.4**	1,306.5
(Loss)/gain on exchange differences	**(258.2)**	(50.8)	**(52.0)**	(18.5)	**6.9**	4.0	**–**	–	**(303.3)**	(65.3)
Segment revenue	**5,950.0**	5,402.5	**1,061.6**	1,009.4	**1,335.5**	1,969.3	**–**	–	**8,347.1**	8,381.2
Gross claims, surrenders and annuities	**3,085.6**	3,007.5	**611.4**	731.0	**530.0**	781.1	**–**	–	**4,227.0**	4,519.6
Claims, surrenders and annuities recovered from reinsurers	**(15.5)**	(15.7)	**(22.8)**	(27.6)	**(7.5)**	(5.2)	**–**	–	**(45.8)**	(48.5)
Commissions and agency expenses	**312.0**	285.0	**111.7**	94.5	**177.9**	138.1	**–**	–	**601.6**	517.6
Increase/(decrease) in provision for impairment of assets	**35.2**	60.6	**5.6**	(1.2)	**–**	–	**–**	–	**40.8**	59.4
Management expenses	**121.9**	128.0	**45.3**	54.7	**56.0**	44.3	**–**	–	**223.2**	227.0
Impairment loss on goodwill	**–**	6.7	**–**	0.1	**–**	–	**–**	–	**–**	6.8
Agents' retirement benefits	**23.4**	15.5	**2.2**	1.3	**5.1**	3.9	**–**	–	**30.7**	20.7
Depreciation	**41.5**	39.7	**3.5**	3.5	**1.9**	1.8	**–**	–	**46.9**	45.0
Change in life assurance fund contract liabilities	**2,650.6**	2,239.6	**54.4**	(198.6)	**459.2**	888.2	**–**	–	**3,164.2**	2,929.2
Segment expense	**6,254.7**	5,766.9	**811.3**	657.7	**1,222.6**	1,852.2	**–**	–	**8,288.6**	8,276.8
Segment (loss)/profit before share of profit/(loss) of associates and joint ventures	**(304.7)**	(364.4)	**250.3**	351.7	**112.9**	117.1	**–**	–	**58.5**	104.4
Share of profit/(loss) of associates	**28.6**	(23.8)	**–**	(2.8)	**–**	–	**–**	–	**28.6**	(26.6)
Share of loss of joint ventures	**(3.0)**	(1.3)	**–**	–	**–**	–	**–**	–	**(3.0)**	(1.3)
Segment profit/(loss) before income tax	**(279.1)**	(389.5)	**250.3**	348.9	**112.9**	117.1	**–**	–	**84.1**	76.5
Income tax	**(205.9)**	(174.5)	**(37.5)**	(91.4)	**(22.5)**	(5.5)	**–**	–	**(265.9)**	(271.4)
Segment (loss)/profit after income tax	**(485.0)**	(564.0)	**212.8**	257.5	**90.4**	111.6	**–**	–	**(181.8)**	(194.9)
Retained in life assurance fund	**(588.8)**	(660.2)	**(26.7)**	(247.9)	**(3.5)**	(13.5)	**–**	–	**(619.0)**	(921.6)
Transferred to Profit and Loss Statement	**103.8**	96.2	**239.5**	505.4	**93.9**	125.1	**–**	–	**437.2**	726.7
	(485.0)	(564.0)	**212.8**	257.5	**90.4**	111.6	**–**	–	**(181.8)**	(194.9)

Notes to the Financial Statements

32 SEGMENTAL INFORMATION (continued)

(1) By Business Segments (continued)

	Group									
	Participating Business		Non-Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
in Singapore Dollars (millions)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Other material items:										
Interest income	**1,141.2**	1,054.1	**164.3**	151.4	**65.4**	71.7	**–**	–	**1,370.9**	1,277.2
Staff costs and related expenses (including executive directors and key management personnel compensation)	**73.7**	70.6	**26.0**	29.4	**26.9**	20.5	**–**	–	**126.6**	120.5
Rental expense	**10.5**	9.9	**3.4**	4.2	**3.1**	2.7	**–**	–	**17.0**	16.8
Gain on disposal of property, plant and equipment and investment properties	**1.3**	1.7	**0.1**	0.1	**–**	–	**–**	–	**1.4**	1.8
Interest expense on policy benefits	**84.1**	75.4	**0.1**	0.1	**–**	–	**–**	–	**84.2**	75.5
Non-cash items:										
Depreciation	**41.5**	39.7	**3.5**	3.5	**1.9**	1.8	**–**	–	**46.9**	45.0
Impairment of assets	**35.2**	60.6	**5.6**	(1.2)	**–**	–	**–**	–	**40.8**	59.4
Impairment loss on goodwill	**–**	6.7	**–**	0.1	**–**	–	**–**	–	**–**	6.8
Changes in fair value of investments:										
– through Profit and Loss Statement	**(251.8)**	(169.0)	**(24.1)**	11.0	**(72.8)**	(1,238.2)	**–**	–	**(348.7)**	(1,396.2)
– through life assurance fund	**1,380.9**	1,763.4	**68.0**	53.6	**–**	–	**–**	–	**1,448.9**	1,817.0
	31 Dec 10	31 Dec 09	**31 Dec 10**	31 Dec 09	**31 Dec 10**	31 Dec 09	**31 Dec 10**	31 Dec 09	**31 Dec 10**	31 Dec 09
Assets and liabilities:										
Segment assets	**39,264.7**	35,709.6	**4,737.2**	4,486.1	**4,389.2**	3,794.6	**–**	–	**48,391.1**	43,990.3
Investments in associates and joint ventures	**243.2**	216.5	**8.6**	9.4	**–**	–	**–**	–	**251.8**	225.9
Total assets	**39,507.9**	35,926.1	**4,745.8**	4,495.5	**4,389.2**	3,794.6	**–**	–	**48,642.9**	44,216.2
Segment liabilities	**38,552.6**	35,129.1	**4,569.3**	4,358.0	**4,385.2**	3,805.3	**–**	–	**47,507.1**	43,292.4
Income tax and deferred tax liabilities	**955.3**	797.0	**176.5**	137.5	**4.0**	(10.7)	**–**	–	**1,135.8**	923.8
Total liabilities	**39,507.9**	35,926.1	**4,745.8**	4,495.5	**4,389.2**	3,794.6	**–**	–	**48,642.9**	44,216.2
Other segment information:										
Additions to non-current assets:										
– property, plant and equipment	**24.4**	18.6	**2.3**	4.3	**–**	–	**–**	–	**26.7**	22.9
– investment properties	**0.7**	1.0	**0.1**	–	**–**	–	**–**	–	**0.8**	1.0

Notes to the Financial Statements

32 SEGMENTAL INFORMATION (continued)

(2) By Geographical Segments

	Group									
	Singapore		Malaysia		Other Asia		Adjustments and Eliminations		Consolidated	
in Singapore Dollars (millions)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
(a) Shareholders' Fund										
Investment income, net	**76.7**	75.9	**13.6**	10.2	**4.0**	2.9	**–**	–	**94.3**	89.0
Gain/(loss) on sale of investments and changes in fair value	**55.4**	13.3	**1.5**	(0.7)	**–**	–	**–**	–	**56.9**	12.6
Fees and other income	**69.1**	63.7	**–**	–	**–**	–	**–**		**69.1**	63.7
Total revenue from external customers	**201.2**	152.9	**15.1**	9.5	**4.0**	2.9	**–**	–	**220.3**	165.3
Inter-segment revenue	**277.7**	2.1	**–**	–	**–**	–	**(277.7)**	(2.1)	**–**	–
Total revenue	**478.9**	155.0	**15.1**	9.5	**4.0**	2.9	**(277.7)**	(2.1)	**220.3**	165.3
Profit / (loss) after income tax	**629.2**	215.3	**193.3**	327.5	**(28.5)**	(16.1)	**(277.7)**	(2.1)	**516.3**	524.6
Non-current assets	**20.7**	20.7	**0.2**	–	**1.4**	2.2	**–**	–	**22.3**	22.9
(b) General Insurance Fund										
Total revenue from external customers	**58.6**	40.3	**86.4**	64.9	**–**	–	**–**	–	**145.0**	105.2
Non-current assets	**0.5**	0.2	**0.6**	0.7	**–**	–	**–**	–	**1.1**	0.9
(c) Life Assurance Fund										
Total revenue from external customers	**4,768.4**	5,273.1	**3,429.2**	3,038.5	**149.5**	69.6	**–**	–	**8,347.1**	8,381.2
Non-current assets	**1,631.5**	1,414.8	**442.3**	438.1	**4.4**	4.6	**–**	–	**2,078.2**	1,857.5

Non-current assets information presented above consist of goodwill, investment properties and property, plant and equipment as presented in the consolidated balance sheet.

Notes to the Financial Statements

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance framework

Managing risk is an integral part of the Group's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Group shall:

- Always operate within the risk appetite set by the Board; and
- Ensure reward commensurate for any risk taken.

Group Risk Management department spearheads the development and implementation of the ERM Framework for the Group.

The Risk and Investment Committee ("RIC") is 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:

- Group Management Team ("GMT")
- Group Asset-Liability Committee ("Group ALC")
- Group Information Technology Steering Committee ("Group ITSC")

GMT is responsible for providing leadership, direction and oversight with regards to all matters of the Group. The GMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC").

Group ALC is responsible for assisting GMT in balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local Asset-Liability Committee ("ALC").

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.

Capital management

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

<u>Regulatory Capital</u>

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

In Singapore, the minimum Capital Adequacy Ratio under the Risk-based Capital Framework regulated by the Monetary Authority of Singapore is 120% for each insurance entity. The capital requirement also includes Fund Solvency Ratios for the respective insurance funds operated by the Group. Regulatory capital of the consolidated Singapore insurance subsidiaries as at 31 December 2010 comprised Available Capital of $7.1 billion (31 December 2009: $7.0 billion), Risk Capital of $3.3 billion (31 December 2009: $3.0 billion) and Capital Adequacy Ratio of 215% (31 December 2009: 235%).

Risk-based Capital Framework for the insurance industry in Malaysia came into effect on 1 January 2009. Under this new framework, insurance assets and liabilities are subject to mark to market rules. The minimum capital requirement under the Risk-based Capital Framework regulated by Bank Negara, Malaysia is 130% for each insurance entity. Regulated capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2010 comprised Available Capital of $0.6 billion (31 December 2009: $0.7 billion), Risk Capital of $0.2 billion (31 December 2009: $0.2 billion) and Capital Adequacy Ratio of 277% (31 December 2009: 323%).

The Group has met all of its regulatory requirements throughout the financial year.

<u>Dividend</u>

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

Notes to the Financial Statements

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

Insurance Risk

The Group has had no significant changes in the policies and processes relating to its capital structure during the year.

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.

The Group's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in the Group's activities include but are not limited to the following:

Insurance Risks of Life Insurance Contracts

Insurance risks arise when the Group underwrites 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. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

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 Group ALC. 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 the Group's risk. The Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC 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.

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 non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

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

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

Insurance Risk (continued)

TABLE 33(A): The table below sets out the concentration of the life insurance risk as at the balance sheet date, net of reinsurance:

(i) by Class of business:

	Life Assurance	
in Singapore Dollars (millions)	**As at 31 December 2010 Insurance liabilities**	**As at 31 December 2009 Insurance liabilities**
Whole life	**20,170.1**	17,694.6
Endowment	**15,486.2**	14,973.3
Term	**343.9**	338.3
Accident and health	**766.0**	612.6
Annuity	**624.1**	634.4
Others	**543.5**	304.8
Total	**37,933.8**	34,558.0
(ii) by Country:		
Singapore	**24,450.9**	22,976.3
Malaysia	**13,221.1**	11,385.3
Others	**261.8**	196.4
Total	**37,933.8**	34,558.0

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 and shareholders' equity.

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

Notes to the Financial Statements

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

Insurance Risk (continued)

TABLE 33(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
2010							
Gross impact	**(33.6)**	**(7.5)**	**47.9**	**(85.0)**	**37.4**	**(45.3)**	**(19.6)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(33.6)**	**(7.5)**	**47.9**	**(85.0)**	**37.4**	**(45.3)**	**(19.6)**
2009							
Gross impact	(28.9)	(18.0)	76.4	(88.7)	30.8	(40.4)	(15.7)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(28.9)	(18.0)	76.4	(88.7)	30.8	(40.4)	(15.7)

TABLE 33(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
2010							
Gross impact	**(51.0)**	**55.4**	**(11.8)**	**10.0**	**(3.6)**	**4.7**	**(6.2)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(51.0)**	**55.4**	**(11.8)**	**10.0**	**(3.6)**	**4.7**	**(6.2)**
2009							
Gross impact	(50.4)	55.3	(9.2)	9.2	(3.7)	4.8	(6.0)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(50.4)	55.3	(9.2)	9.2	(3.7)	4.8	(6.0)

The above table demonstrates the sensitivity of the Group's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

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 Contracts

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

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

Insurance Risk (continued)

TABLE 33(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:

	Non-life Insurance Contracts					
	As at 31 December 2010			As at 31 December 2009		
in Singapore Dollars (millions)	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Fire	21.0	(14.9)	6.1	16.6	(10.9)	5.7
Motor	27.5	(3.9)	23.6	24.1	(2.9)	21.2
Marine & aviation	1.8	(1.4)	0.4	1.2	(0.9)	0.3
Workmen's compensation	4.2	(1.8)	2.4	3.6	(0.8)	2.8
Personal accident & health	23.8	(1.3)	22.5	22.8	(1.3)	21.5
Miscellaneous	18.8	(12.7)	6.1	11.2	(6.3)	4.9
Total	97.1	(36.0)	61.1	79.5	(23.1)	56.4

in Singapore Dollars (millions)	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
Fire	23.0	(18.5)	4.5	25.7	(22.0)	3.7
Motor	42.6	(7.3)	35.3	36.0	(7.7)	28.3
Marine & aviation	2.3	(1.1)	1.2	2.3	(1.4)	0.9
Workmen's compensation	7.3	(1.4)	5.9	6.9	(1.0)	5.9
Personal accident & health	7.5	(0.6)	6.9	7.2	(0.8)	6.4
Miscellaneous	22.9	(10.0)	12.9	14.2	(10.3)	3.9
Total	105.6	(38.9)	66.7	92.3	(43.2)	49.1

(ii) by Country:

	Non-life Insurance Contracts					
	As at 31 December 2010			As at 31 December 2009		
in Singapore Dollars (millions)	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Singapore	47.0	(16.6)	30.4	40.9	(11.7)	29.2
Malaysia	50.1	(19.4)	30.7	38.6	(11.4)	27.2
Total	97.1	(36.0)	61.1	79.5	(23.1)	56.4

in Singapore Dollars (millions)	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
Singapore	40.8	(16.8)	24.0	28.1	(17.2)	10.9
Malaysia	64.8	(22.1)	42.7	64.2	(26.0)	38.2
Total	105.6	(38.9)	66.7	92.3	(43.2)	49.1

Notes to the Financial Statements

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

Insurance Risk (continued)

Key Assumptions

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.

Insurance risk of non-life insurance contracts is mitigated by emphasizing diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

in Singapore Dollars (millions)	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
As at 31 December 2010					
Provision for adverse deviation margin	**+20%**	**3.3**	**2.1**	**2.1**	**2.1**
Loss ratio	**+20%**	**4.1**	**4.0**	**4.0**	**4.0**
Claim handling expenses	**+20%**	**0.3**	**0.3**	**0.3**	**0.3**
As at 31 December 2009					
Provision for adverse deviation margin	+20%	2.7	1.7	1.7	1.7
Loss ratio	+20%	5.3	5.7	5.7	5.7
Claim handling expenses	+20%	0.5	0.6	0.6	0.6

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

Notes to the Financial Statements

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

Insurance Risk (continued)

TABLE 33(C2): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

Gross non-life insurance contract liabilities for 2010 (excluding provision for liability adequacy):

in Singapore Dollars (millions)	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
Estimate of cumulative claims									
Accident Year	215.6	63.0	60.9	50.9	62.9	58.9	77.0	76.2	
One year later	201.1	60.4	66.7	53.4	66.4	59.8	82.8	–	
Two years later	197.6	62.0	64.8	51.5	61.1	59.9	–	–	
Three years later	201.8	61.6	63.6	50.4	61.2	–	–	–	
Four years later	192.4	60.9	62.5	50.3	–	–	–	–	
Five years later	182.5	60.3	62.2	–	–	–	–	–	
Six years later	153.3	59.9	–	–	–	–	–	–	
Seven years later	197.9	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**197.9**	**59.9**	**62.2**	**50.3**	**61.2**	**59.9**	**82.8**	**76.2**	
Cumulative payments									
Accident Year	162.2	19.3	21.5	20.2	23.0	24.1	33.1	31.9	
One year later	182.3	42.1	51.3	39.0	44.7	46.6	59.0	–	
Two years later	184.8	53.6	54.6	43.5	50.1	51.5	–	–	
Three years later	192.5	56.0	56.1	45.5	52.1	–	–	–	
Four years later	185.1	56.8	57.8	46.1	–	–	–	–	
Five years later	177.4	57.4	57.7	–	–	–	–	–	
Six years later	149.6	57.7	–	–	–	–	–	–	
Seven years later	194.9	–	–	–	–	–	–	–	
Cumulative payments	**194.9**	**57.7**	**57.7**	**46.1**	**52.1**	**51.5**	**59.0**	**31.9**	
Total non-life gross claim liabilities	**3.0**	**2.2**	**4.5**	**4.2**	**9.1**	**8.4**	**23.8**	**44.3**	**99.5**

Notes to the Financial Statements

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

Insurance Risk (continued)

TABLE 33(C2): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date (continued).

Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2010 (excluding provision for liability adequacy):

in Singapore Dollars (millions)	Before 2004	2004	2005	2006	2007	2008	2009	2010	Total
Estimate of cumulative claims									
Accident Year	169.2	27.8	27.1	29.9	32.8	37.4	44.6	59.5	
One year later	159.3	27.4	27.7	30.1	33.7	38.2	48.2	–	
Two years later	156.4	26.9	27.1	29.1	32.5	38.0	–	–	
Three years later	160.5	26.6	26.5	28.6	32.5	–	–	–	
Four years later	152.4	26.3	26.1	28.3	–	–	–	–	
Five years later	143.6	25.8	25.8	–	–	–	–	–	
Six years later	118.0	25.4	–	–	–	–	–	–	
Seven years later	156.9	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**156.9**	**25.4**	**25.8**	**28.3**	**32.5**	**38.0**	**48.2**	**59.5**	
Cumulative payments									
Accident Year	138.4	10.8	11.1	12.8	13.8	17.1	22.5	25.1	
One year later	146.8	19.7	20.7	22.8	25.8	30.2	37.1	–	
Two years later	147.8	22.4	22.7	24.8	28.4	32.8	–	–	
Three years later	154.1	23.7	23.7	25.9	29.4	–	–	–	
Four years later	147.5	24.3	24.2	26.2	–	–	–	–	
Five years later	140.1	24.7	24.5	–	–	–	–	–	
Six years later	115.5	24.8	–	–	–	–	–	–	
Seven years later	155.0	–	–	–	–	–	–	–	
Cumulative payments	**155.0**	**24.8**	**24.5**	**26.2**	**29.4**	**32.8**	**37.1**	**25.1**	
Total non-life net claim liabilities	**1.9**	**0.6**	**1.3**	**2.1**	**3.1**	**5.2**	**11.1**	**34.4**	**59.7**

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 assets and liabilities 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 has 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

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

Market and Credit Risk (continued)

Under Singapore regulations governed by the Monetary Authority of Singapore (MAS), the liability cash flows with duration more than 15 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

In 2009, the Group commenced an exercise to achieve portfolio matching of the assets and liabilities of GEL Non Participating fund's long dated liabilities. These long dated liabilities are discounted using the market yield of the Singapore Government Securities ("SGS") of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching program will still be subject to the LTRFDR requirement.

Under Malaysia regulations governed by Bank Negara Malaysia (BNM), the liability cash flows of all durations are discounted using weighted interest rates that reflect both past and current yield levels. The effect of changes in current interest rates on the value of liability reserves is therefore dampened compared to the corresponding impact on fixed income asset values. As a result, Malaysia non-participating funds could have negative earnings impact when actual interest rates rise.

(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.

TABLE 33(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 2010					
ASSETS					
Available-for-sale securities					
Equity securities	**2,730.8**	**3,867.5**	**1,245.8**	**2,211.0**	**10,055.1**
Debt securities	**8,789.1**	**12,548.2**	**4,081.6**	**427.4**	**25,846.3**
Other investments	**413.2**	**76.1**	**657.7**	**133.9**	**1,280.9**
Securities at fair value through profit or loss					
Equity securities	**310.8**	**723.7**	**188.1**	**976.7**	**2,199.3**
Debt securities	**36.1**	**261.0**	**250.2**	**143.6**	**690.9**
Other investments	**703.0**	**26.9**	**56.4**	**145.6**	**931.9**
Embedded derivatives	**565.6**	**7.2**	**51.1**	**64.7**	**688.6**
Derivative financial assets	**513.7**	**–**	**6.0**	**3.4**	**523.1**
Loans	**1,311.4**	**268.3**	**–**	**–**	**1,579.7**
Insurance receivables	**928.8**	**1,568.3**	**1.4**	**20.8**	**2,519.3**
Other debtors and interfund balances	**1,307.6**	**463.2**	**2.7**	**15.2**	**1,788.7**
Cash and cash equivalents	**2,274.8**	**276.2**	**156.5**	**122.9**	**2,830.4**
	19,884.9	**20,086.6**	**6,697.5**	**4,265.2**	**50,934.2**

Notes to the Financial Statements

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

Market and Credit Risk (continued)

(b) Foreign currency risk (continued)

TABLE 33(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
As at 31 December 2010					
LIABILITIES					
Other creditors and interfund balances	**1,230.1**	**635.4**	**2.7**	**23.9**	**1,892.1**
Insurance payables	**874.7**	**1,481.6**	**5.1**	**11.2**	**2,372.6**
Unexpired risk reserve	**47.0**	**50.1**	**–**	**–**	**97.1**
Derivative financial liabilities	**15.0**	**–**	**6.0**	**4.9**	**25.9**
Provision for agents' retirement benefits	**–**	**215.0**	**–**	**1.2**	**216.2**
General insurance fund contract liabilities	**40.9**	**64.7**	**–**	**–**	**105.6**
Life assurance fund contract liabilities	**24,358.0**	**13,221.1**	**111.9**	**242.8**	**37,933.8**
	26,565.7	**15,667.9**	**125.7**	**284.0**	**42,643.3**
As at 31 December 2009					
ASSETS					
Available-for-sale securities					
Equity securities	1,679.2	3,058.6	843.4	2,109.0	7,690.2
Debt securities	8,327.6	10,841.0	3,561.9	627.1	23,357.6
Other investments	363.5	10.3	808.0	155.3	1,337.1
Securities at fair value through profit or loss					
Equity securities	257.4	460.7	292.9	967.8	1,978.8
Debt securities	41.3	217.4	223.2	166.9	648.8
Other investments	515.0	14.2	48.1	89.5	666.8
Embedded derivatives	775.6	1.9	49.6	52.5	879.6
Derivative financial assets	4,052.5	1.6	(3,374.4)	(356.9)	322.8
Loans	1,564.4	368.1	–	–	1,932.5
Insurance receivables	943.4	1,492.2	2.0	17.3	2,454.9
Other debtors and interfund balances	1,313.4	497.3	0.4	24.0	1,835.1
Cash and cash equivalents	2,088.5	958.4	74.3	94.7	3,215.9
	21,921.8	17,921.7	2,529.4	3,947.2	46,320.1
LIABILITIES					
Other creditors and interfund balances	1,218.2	638.1	–	9.5	1,865.8
Insurance payables	907.1	1,290.2	1.1	8.5	2,206.9
Unexpired risk reserve	40.9	38.6	–	–	79.5
Derivative financial liabilities	31.6	–	10.0	5.0	46.6
Provision for agents' retirement benefits	1.4	190.6	–	–	192.0
General insurance fund contract liabilities	28.0	64.3	–	–	92.3
Life assurance fund contract liabilities	22,948.6	11,385.3	47.1	177.0	34,558.0
	25,175.8	13,607.1	58.2	200.0	39,041.1

The Group has no significant concentration of foreign currency risk.

Notes to the Financial Statements

33 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' Fund 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. 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 RIC and Group ALC.

(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 associated with financial instruments 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

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

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk (continued)

Maturity Profile

TABLE 33(E1): The following tables show the expected recovery or settlement of financial assets and maturity profile of the Group's financial liabilities (contractual undiscounted cash flow basis):

in Singapore Dollars (millions)	Carrying Amount	< 1 Year	1 – 5 Years	> 5 Years	No maturity date	Total
As at 31 December 2010						
FINANCIAL ASSETS						
Available-for-sale securities						
Equity securities	10,055.1	–	–	–	10,055.1	10,055.1
Debt securities	25,846.3	3,466.0	9,759.3	28,682.6	–	41,907.9
Other investments	1,280.9	–	–	–	1,280.9	1,280.9
Securities at fair value through profit or loss						
Equity securities	2,199.3	–	–	–	2,199.3	2,199.3
Debt securities	690.9	84.8	284.9	682.8	–	1,052.5
Other investments	931.9	–	–	–	931.9	931.9
Embedded derivatives	688.6	57.8	445.6	185.2	–	688.6
Loans	1,579.7	324.4	1,139.5	296.3	–	1,760.2
Insurance receivables	2,519.3	197.1	0.9	–	2,321.3	2,519.3
Other debtors and interfund balances	1,788.7	1,612.7	176.0	–	–	1,788.7
Cash and cash equivalents	2,830.4	2,830.4	–	–	–	2,830.4
	50,411.1	8,573.2	11,806.2	29,846.9	16,788.5	67,014.8
FINANCIAL LIABILITIES						
Other creditors and interfund balances	1,892.1	1,623.8	254.2	14.1	–	1,892.1
Insurance payables	2,372.6	2,318.4	48.0	2.0	4.2	2,372.6
Provision for agents' retirement benefits	216.2	52.0	44.4	119.8	–	216.2
General insurance fund contract liabilities	105.6	59.5	45.2	0.9	–	105.6
Life assurance fund contract liabilities	37,933.8	6,214.9	7,499.5	24,110.7	108.7	37,933.8
	42,520.3	10,268.6	7,891.3	24,247.5	112.9	42,520.3

Notes to the Financial Statements

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

Market and Credit Risk (continued)

(g) *Cash flow and liquidity risk* (continued)

Maturity Profile (continued)

TABLE 33(E1): The following tables show the expected recovery or settlement of financial assets and maturity profile of the Group's financial liabilities (contractual undiscounted cash flow basis) (continued):

in Singapore Dollars (millions)	Carrying Amount	< 1 Year	1 – 5 Years	> 5 Years	No maturity date	Total
As at 31 December 2009						
FINANCIAL ASSETS						
Available-for-sale securities						
Equity securities	7,690.2	–	–	–	7,690.2	7,690.2
Debt securities	23,357.6	6,597.4	13,471.2	17,870.0	–	37,938.6
Other investments	1,337.1	–	–	–	1,337.1	1,337.1
Securities at fair value through profit or loss						
Equity securities	1,978.8	–	–	–	1,978.8	1,978.8
Debt securities	648.8	89.7	310.5	539.3	–	939.5
Other investments	666.8	–	–	–	666.8	666.8
Embedded derivatives	879.6	251.0	384.8	243.8	–	879.6
Loans	1,932.5	429.0	1,217.6	540.3	–	2,186.9
Insurance receivables	2,454.9	232.1	14.1	–	2,208.7	2,454.9
Other debtors and interfund balances	1,835.1	1,102.7	732.4	–	–	1,835.1
Cash and cash equivalents	3,215.9	3,215.9	–	–	–	3,215.9
	45,997.3	11,917.8	16,130.6	19,193.4	13,881.6	61,123.4
FINANCIAL LIABILITIES						
Other creditors and interfund balances	1,865.8	881.5	5.6	978.7	–	1,865.8
Insurance payables	2,206.9	272.0	22.8	14.3	1,897.8	2,206.9
Provision for agents' retirement benefits	192.0	43.0	43.2	105.8	–	192.0
General insurance fund contract liabilities	92.3	83.1	9.2	–	–	92.3
Life assurance fund contract liabilities	34,558.0	5,247.7	7,279.1	21,978.3	52.9	34,558.0
	38,915.0	6,527.3	7,359.9	23,077.1	1,950.7	38,915.0

Notes to the Financial Statements

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

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk (continued)

TABLE 33(E2): The following tables show the current/non-current classification of assets and liabilities:

in Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
As at 31 December 2010				
ASSETS				
Cash and cash equivalents	2,568.2	–	262.2	2,830.4
Other debtors and interfund balances	1,624.0	93.1	71.6	1,788.7
Insurance receivables	1,725.1	794.2	–	2,519.3
Loans	311.9	1,267.8	–	1,579.7
Derivative financial assets	92.0	421.9	9.2	523.1
Investments	3,271.5	34,599.1	3,822.4	41,693.0
Associates and joint ventures	–	337.2	–	337.2
Goodwill	–	18.7	–	18.7
Property, plant and equipment	–	727.5	–	727.5
Investment properties	–	1,355.4	–	1,355.4
	9,592.7	39,614.9	4,165.4	53,373.0
LIABILITIES				
Insurance payables	2,317.7	42.2	12.7	2,372.6
Other creditors and interfund balances	1,532.0	244.2	115.9	1,892.1
Unexpired risk reserve	97.1	–	–	97.1
Derivative financial liabilities	3.5	15.8	6.6	25.9
Income tax	391.0	–	(8.8)	382.2
Provision for agents' retirement benefits	52.0	164.2	–	216.2
Deferred tax	–	939.6	10.2	949.8
General insurance fund	59.5	46.1	–	105.6
Life assurance fund	2,234.3	31,610.1	4,089.4	37,933.8
	6,687.1	33,062.2	4,226.0	43,975.3

* expected recovery or settlement within 12 months from the balance sheet date.

Notes to the Financial Statements

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

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk (continued)

TABLE 33(E2): The following tables show the current/non-current classification of assets and liabilities (continued):

in Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
As at 31 December 2009				
ASSETS				
Cash and cash equivalents	2,985.9	–	230.0	3,215.9
Other debtors and interfund balances	1,123.9	691.0	20.2	1,835.1
Insurance receivables	1,607.8	847.1	–	2,454.9
Amount due from joint venture	5.9	–	–	5.9
Loans	406.2	1,526.3	–	1,932.5
Derivative financial assets	23.1	293.6	6.1	322.8
Investments	11,283.9	21,972.1	3,302.9	36,558.9
Associates and joint ventures	–	323.9	–	323.9
Goodwill	–	18.7	–	18.7
Property, plant and equipment	–	743.7	–	743.7
Investment properties	–	1,118.9	–	1,118.9
	17,436.7	27,535.3	3,559.2	48,531.2
LIABILITIES				
Insurance payables	2,079.6	124.0	3.3	2,206.9
Other creditors and interfund balances	153.2	1,712.4	0.2	1,865.8
Unexpired risk reserve	79.5	–	–	79.5
Derivative financial liabilities	8.0	32.5	6.1	46.6
Income tax	313.4	–	(14.3)	299.1
Provision for agents' retirement benefits	185.8	6.2	–	192.0
Deferred tax	–	762.7	3.6	766.3
General insurance fund	83.1	9.2	–	92.3
Life assurance fund	1,673.5	29,257.2	3,627.3	34,558.0
	4,576.1	31,904.2	3,626.2	40,106.5

* expected recovery or settlement within 12 months from the balance sheet date.

(h) ***Credit risk.*** Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Group is mainly 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 spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by 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.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

Notes to the Financial Statements

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

Market and Credit Risk (continued)

(h) *Credit risk* (continued). The Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

The loans in the Group's portfolio are generally secured by collateral, with a maximum loan to value ratio 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. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, 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 Collateral	Carrying Amount of Loans	Fair Value of Collateral
As at 31 December 2010			
Secured loans	**Properties**	**1,506.8**	**3,868.4**
	Shares	**51.5**	**107.9**
	Bankers' guarantees	**17.7**	**17.7**
	Others	**2.8**	**4.8**
Policy loans	**Cash value of policies**	**2,241.7**	**4,284.2**
		3,820.5	**8,283.0**
As at 31 December 2009			
Secured loans	Properties	1,862.8	4,156.4
	Shares	42.7	89.1
	Bankers' guarantees	23.1	23.1
	Others	3.6	5.5
Policy loans	Cash value of policies	2,208.7	3,504.8
		4,140.9	7,778.9

Investments lent and collateral received under securities lending arrangements amounted to $41.8 million and $43.2 million respectively as at 31 December 2010 (2009: $43.4 million and $45.1 million respectively).

As at the balance sheet date, no investments (2009: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under terms and conditions that are usual and customary for standard securities borrowing and lending activities.

Notes to the Financial Statements

33 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.

	Neither past-due nor impaired						
in Singapore Dollars (millions)	**Investment Grade* (BBB to AAA)**	**Non Investment Grade* (C to BB)**	**Not Rated**	**Unit-linked**	**Not subject to credit risk**	**Past due****	**Total**
As at 31 December 2010							
Available-for-sale securities							
Equity securities	**–**	**–**	**–**	**–**	**10,055.1**	**–**	**10,055.1**
Debt securities	**23,850.2**	**224.3**	**1,771.8**	**–**	**–**	**–**	**25,846.3**
Other investments	**–**	**–**	**–**	**–**	**1,280.9**	**–**	**1,280.9**
Securities at fair value through profit or loss							
Equity securities	**–**	**–**	**–**	**2,198.5**	**0.8**	**–**	**2,199.3**
Debt securities	**1.9**	**–**	**1.7**	**687.3**	**–**	**–**	**690.9**
Other investments	**–**	**–**	**–**	**931.9**	**–**	**–**	**931.9**
Embedded derivatives	**348.4**	**52.2**	**148.3**	**4.7**	**135.0**	**–**	**688.6**
Derivative financial assets	**512.6**	**–**	**1.3**	**9.2**	**–**	**–**	**523.1**
Loans	**167.7**	**–**	**1,412.0**	**–**	**–**	**–**	**1,579.7**
Insurance receivables	**1.1**	**–**	**2,500.8**	**–**	**–**	**17.4**	**2,519.3**
Other debtors and interfund balances	**–**	**–**	**1,706.9**	**71.6**	**–**	**10.2**	**1,788.7**
Cash and cash equivalents	**2,390.7**	**–**	**177.5**	**262.2**	**–**	**–**	**2,830.4**
	27,272.6	**276.5**	**7,720.3**	**4,165.4**	**11,471.8**	**27.6**	**50,934.2**
As at 31 December 2009							
Available-for-sale securities							
Equity securities	–	–	–	–	7,690.2	–	7,690.2
Debt securities	21,766.4	118.0	1,473.2	–	–	–	23,357.6
Other investments	–	–	–	–	1,337.1	–	1,337.1
Securities at fair value through profit or loss							
Equity securities	–	–	0.7	1,978.1	–	–	1,978.8
Debt securities	5.2	–	2.2	641.4	–	–	648.8
Other investments	–	–	52.9	613.9	–	–	666.8
Embedded derivatives	91.9	0.1	208.2	69.6	509.8	–	879.6
Derivative financial assets	256.9	–	59.8	6.1	–	–	322.8
Loans	–	–	1,932.5	–	–	–	1,932.5
Insurance receivables	–	–	2,409.3	–	–	45.6	2,454.9
Other debtors and interfund balances	–	–	1,607.5	20.2	–	207.4	1,835.1
Cash and cash equivalents	2,969.8	–	16.2	229.9	–	–	3,215.9
	25,090.2	118.1	7,762.5	3,559.2	9,537.1	253.0	46,320.1

* Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

** An aging analysis for financial assets past due is provided below.

Notes to the Financial Statements

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

Market and Credit Risk (continued)

(h) *Credit risk* (continued)

Aging analysis of financial assets past due:

in Singapore Dollars (millions)	Past due but not impaired < 6 months	6 months to 12 months	> 12 months	Total	Past due and impaired	Total
As at 31 December 2010	**16.7**	**0.7**	**–**	**17.4**	**0.2**	**17.6**
Insurance receivables	**8.6**	**0.8**	**0.8**	**10.2**	**–**	**10.2**
Other debtors and interfund balances	**25.3**	**1.5**	**0.8**	**27.6**	**0.2**	**27.8**
As at 31 December 2009						
Insurance receivables	16.6	0.1	28.9	45.6	0.4	46.0
Other debtors and interfund balances	204.6	2.7	0.1	207.4	–	207.4
	221.2	2.8	29.0	253.0	0.4	253.4

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.

(j) *Sensitivity analysis on financial risks.* 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.

Notes to the Financial Statements

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

Market and Credit Risk (continued)

(j) Sensitivity analysis on financial risks (continued)

Market risk sensitivity analysis:

in Singapore Dollars (millions)	Impact on Profit After Tax 31 December 2010	Impact on Profit After Tax 31 December 2009	Impact on Equity 31 December 2010	Impact on Equity 31 December 2009
Change in variables:				
(a) Interest Rate				
+ 100 basis points	**(119.9)**	(122.8)	**(172.9)**	(145.7)
- 100 basis points	**39.4**	56.6	**84.1**	73.9
(b) LTRFDR [1]				
+ 10 basis points	**11.5**	14.0	**11.5**	14.0
- 10 basis points	**(11.5)**	(14.0)	**(11.5)**	(14.0)
(c) Foreign Currency				
5% increase in market value of foreign currency denominated assets	**24.4**	13.6	**47.9**	23.1
5% decrease in market value of foreign currency denominated assets	**(24.4)**	(13.6)	**(47.9)**	(23.1)
(d) Equity				
20% increase in market value of all equities	**42.4**	24.7	**241.7**	135.4
20% decrease in market value of all equities	**(42.4)**	(24.7)	**(241.7)**	(135.4)
(e) Credit				
Spread + 100 basis points	**(178.3)**	(139.9)	**(202.9)**	(157.4)
Spread - 100 basis points	**178.3**	139.9	**202.9**	157.4
(f) Alternative Investments [2]				
10% increase in market value of all alternative investments	**17.2**	16.6	**22.5**	21.9
10% decrease in market value of all alternative investments	**(17.2)**	(16.6)	**(22.5)**	(21.9)

[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, private equity, infrastructure and hedge funds.

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

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- laws, regulations and rules governing insurance business and financial activities undertaken by Great Eastern
- codes of practice promoted by industry associations
- internal standards and guidelines.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMT reviews operational and compliance 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.

Notes to the Financial Statements

34 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

34.1 The following table shows an analysis of financial instruments that are carried at fair value by level of fair value hierarchy:

in Singapore Dollars (millions)	Level 1 – Quoted Market Price	Level 2 – Valuation Techniques – Market Observable Inputs	Level 3 – Valuation Techniques – Unobservable Inputs	Total Fair Value
As at 31 December 2010				
FINANCIAL ASSETS				
Derivative financial assets				
Foreign exchange				
Forwards	–	72.2	–	72.2
Currency swaps	–	368.0	–	368.0
Interest rates				
Swaps	–	82.4	–	82.4
Equity				
Options	–	0.5	–	0.5
	–	523.1	–	523.1
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	9,421.1	–	–	9,421.1
Unquoted equity securities	–	634.0	–	634.0
Debt securities				
Quoted debt securities	6,988.0	8,469.2	–	15,457.2
Unquoted debt securities	–	10,389.1	–	10,389.1
Other investments				
Collective investment schemes	599.1	681.8	–	1,280.9
	17,008.2	20,174.1	–	37,182.3
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	2,199.3	–	–	2 ,199.3
Debt securities				
Quoted debt securities	273.7	125.6	–	399.3
Unquoted debt securities	–	291.6	–	291.6
Other investments				
Collective investment schemes	931.9	–	–	931.9
	3,404.9	417.2	–	3,822.1
Financial assets held-for-trading				
Embedded derivatives	406.9	191.7	90.0	688.6
	20,820.0	21,306.1	90.0	42,216.1
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	–	7.8	–	7.8
Currency swaps	–	4.7	–	4.7
Interest rates				
Swaps	–	11.6	–	11.6
Swaptions	–	1.7	–	1.7
Equity				
Futures	–	0.1	–	0.1
	–	25.9	–	25.9

Notes to the Financial Statements

34 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

34.1 The following table shows an analysis of financial instruments that are carried at fair value by level of fair value hierarchy: (continued)

in Singapore Dollars (millions)	Level 1 – Quoted Market Price	Level 2 – Valuation Techniques – Market Observable Inputs	Level 3 – Valuation Techniques – Unobservable Inputs	Total Fair Value
As at 31 December 2009				
FINANCIAL ASSETS				
Derivative financial assets				
Foreign exchange				
Forwards	–	21.5	–	21.5
Currency swaps	–	205.0	–	205.0
Interest rates				
Swaps	–	94.2	–	94.2
Exchange traded futures	–	1.7	–	1.7
Equity				
Options	–	0.4	–	0.4
	–	322.8	–	322.8
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	7,300.7	–	–	7,300.7
Unquoted equity securities	–	389.5	–	389.5
Debt securities				
Quoted debt securities	6,761.7	7,347.8	–	14,109.5
Unquoted debt securities	–	9,248.1	–	9,248.1
Other investments				
Collective investment schemes	275.9	1,061.2	–	1,337.1
	14,338.3	18,046.6	–	32,384.9
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	1,978.8	–	–	1,978.8
Debt securities				
Quoted debt securities	274.9	130.9	–	405.8
Unquoted debt securities	–	243.0	–	243.0
Other investments				
Collective investment schemes	666.8	–	–	666.8
	2,920.5	373.9	–	3,294.4
Financial assets held-for-trading				
Embedded derivatives	300.5	519.6	59.5	879.6
	17,559.3	19,262.9	59.5	36,881.7
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	–	11.3	–	11.3
Currency swaps	–	33.0	–	33.0
Interest rates				
Swaps	–	0.6	–	0.6
Swaptions	–	0.8	–	0.8
Exchange traded futures	–	0.4	–	0.4
Equity				
Futures	–	0.5	–	0.5
	–	46.6	–	46.6

Notes to the Financial Statements

34 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair Value Hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 assets are those which market values are determined 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.

Level 2 assets are those which market values are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These type of assets includes assets 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.

Level 3 assets are those which market values are measured using a valuation technique based on assumptions formed from unobservable inputs. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given prevailing market conditions.

There have been no transfers of financial assets between Levels 1 and 2 during the financial years ended 31 December 2010 and 2009.

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3):

	Group			
	2010		2009	
	Financial assets held-for-trading		Financial assets held-for trading	
in Singapore Dollars (millions)	**Embedded Derivatives**	**Total**	Embedded Derivatives	Total
Opening balance	**59.5**	**59.5**	21.0	21.0
Total gains or losses:				
– in profit or loss [(1)]	**30.5**	**30.5**	38.5	38.5
Closing balance	**90.0**	**90.0**	59.5	59.5
Total gains or losses for the year included in profit or loss [(1)] for assets held at 31 December	**30.5**	**30.5**	38.5	38.5

(1) Included in "Gain on sale of investments and changes in fair value".

Notes to the Financial Statements

34 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Impact of changes to key assumptions on fair value of Level 3 financial instruments

The following table shows the impact on fair value of Level 3 financial instruments by using reasonably possible alternative assumptions:

	Group		
	2010		
		Effect of reasonably possible alternative assumptions	
in Singapore Dollars (millions)	**Carrying amount**	**Favourable**	**(Unfavourable)**
Financial assets held-for-trading			
Embedded derivatives	**90.0**	**8.1**	**(9.0)**

	Group		
	2009		
		Effect of reasonably possible alternative assumptions	
in Singapore Dollars (millions)	Carrying amount	Favourable	(Unfavourable)
Financial assets held-for-trading			
Embedded derivatives	59.5	10.8	(13.7)

For embedded derivatives, the fair value had been determined using a valuation model where the correlation of default relationships among reference entities is a key assumption but not supportable by observable market data. The Group adjusted the assumptions by 20% (2009: 20%) from management's estimates, which is considered by the Group to be a reasonably possible but conservative alternative based on prevailing market conditions.

34.2 The carrying amounts of the Group's and the Company's financial assets and liabilities approximate their fair value, either due to their short-term nature or because they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date, except as disclosed below:

	Group		Company	
in Singapore Dollars (millions)	**2010**	2009	**2010**	2009
Available-for-sale financial assets				
Unquoted equity securities	**75.8**	111.2	**–**	–

It is not practicable to determine the fair values of the above unquoted equity investments because of the lack of unquoted market prices and the assumptions used in the 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.

The Group does not intend to dispose of these investments in the foreseeable future. The Group intends to eventually dispose of these investments through sale to institutional investors.

35 DIVIDENDS

	Group and Company	
in Singapore Dollars (millions)	**2010**	2009
Final tax exempt (one-tier) dividend for previous year of 27 cents per ordinary share (2009: 16 cents per ordinary share)	**127.8**	75.7
Special final tax exempt (one-tier) dividend for previous year of 8 cents per ordinary share (2009: nil)	**37.9**	–
First interim tax exempt (one-tier) dividend of 10 cents per ordinary share (2009: 5 cents per ordinary share)	**47.3**	23. 7
	213.0	99. 4

The Directors do not propose to declare a final dividend (2009: $165.7 million) for the financial year ended 31 December 2010.

Notes to the Financial Statements

36 EVENTS AFTER THE REPORTING PERIOD

On 1 January 2011, one of the Company's subsidiary, Overseas Assurance Corporation (Malaysia) Berhad, acquired certain assets and liabilities of the general insurance business of Tahan Insurance (Malaysia) Berhad for a cash consideration of $6.3 million.

On 10 January 2011, the Company and the Company's subsidiary, The Great Eastern Life Assurance Company Limited ("GELS") announced the establishment of a $1.0 billion Multicurrency Medium Term Note Program ("Program"), pursuant to which each of the Company and GELS may issue senior or subordinated Notes from time to time in Singapore dollars or in other currencies, in various amounts and tenors. The Notes may bear fixed or floating rates, may bear interest on dual currency or index linked bases or may not bear interest.

On 19 January 2011, GELS issued $400.0 million subordinated fixed rate notes ("Notes") due 2026 callable in 2021 under the Program. The Notes will initially bear interest at the rate of 4.6% per annum, payable semi-annually in arrear. If the Notes are not redeemed or purchased and cancelled on 19 January 2021, the interest rate from that date will be reset at a fixed rate per annum equal to the aggregate of the then prevailing 5-year SGD Swap Offer Rate and 1.35%, payable semi-annually in arrear.

On 15 February 2011, the Directors proposed to undertake a capital reduction exercise (the "Capital Reduction") that will result in a cash distribution (the "Cash Distribution") of $0.77 per ordinary share to all Shareholders, amounting to $364.5 million. The proposed Capital Reduction and Cash Distribution would not result in a cancellation of any Shares, or a change in the number of Shares.

The Capital Reduction is subject to, inter alia:

(a) the approval of the Shareholders by way of a special resolution at an extraordinary general meeting of Shareholders to be convened;
(b) the approval of the High Court of Singapore; and
(c) all other relevant approvals and consents being obtained, including without limitation, the Monetary Authority of Singapore.

37 AUTHORISATION OF FINANCIAL STATEMENTS

At the Board of Directors' Meeting held on 15 February 2011, the Board authorised these financial statements for issue and that two Directors of the Board, Mrs Fang Ai Lian and Mr Tan Yam Pin, sign the Directors' Report on behalf of the Board.

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 (Expiry date: 31 August 2096)	6,600	21,515 (strata area excluding voids)	Commercial – Offices
Orchard Emerald 202 & 218 Orchard Road	Freehold	1,444	–	Commercial – Retail & Offices Under redevelopment Estimated completion : 2012
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 Lot 660 TS 28, Newton Road and Lot 56 TS 28, Lincoln Road	Freehold 999 years leasehold (Expiry date: 12 February 2884)	2,809 6,945	28,819	Residential – 190-unit condominium
3 Pickering Street	99 years leasehold (Expiry date: 31 August 2096)	7,086	15,004 (strata area excluding voids)	Commercial – Retail & Offices 65-unit shop houses

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 / Great Eastern Mall 303 Jalan Ampang Kuala Lumpur	Freehold	25,600	149,464	Commercial – Retail and Offices
40, 44, 50 & 68 Jln Ampang Kuala Lumpur	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
65 Jalan Gaya, Kota Kinabalu, Sabah	99 years leasehold (Expiry date: 31 December 2093)	718	8,853	Commercial – Offices
25, Light Street, 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

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
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 Office
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
113, Jalan Tun Haji Openg, Kuching, Sarawak	837 years leasehold (Expiry date: 31 December 2774)	3,359	335	Residential – 1 storey detached house
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
Lot 48, 49, 50 & 51 Greentown Avenue, Ipoh	99 years leasehold (Title pending)	strata title	3,095	4 units of 4-storey shopoffices
Lot 72342 Mutiara Damansara	Freehold	4,490	–	Vacant commercial land

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 28 February 2011

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	62	5.03	12,289	0.00
1,000 – 10,000	960	77.86	2,506,184	0.53
10,001 – 1,000,000	198	16.06	15,976,327	3.38
1,000,001 and above	13	1.05	454,824,269	96.09
Total	1,233	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	Citibank Nominees Singapore Private Limited	11,271,100	2.38
3	HSBC (Singapore) Nominees Private Limited	10,371,020	2.19
4	Eastern Realty Company Limited	9,425,619	1.99
5	DBS Nominees (Private) Limited	5,028,831	1.06
6	Wong Hong Sun	3,159,000	0.67
7	Wong Hong Yen	3,109,668	0.66
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	1,714,622	0.36
11	Shaw Vee Meng	1,208,000	0.25
12	DBSN Services Private Limited	1,054,000	0.22
13	Shaw Vee Foong	1,036,800	0.22
14	Lim Kay Han Irene	848,975	0.18
15	Lee Hak Heng	728,150	0.15
16	Asia Chemical Corporation Sendirian Berhad	658,677	0.14
17	Yeap Holdings (Private) Limited	487,238	0.10
18	The Estate of Alan Loke (Deceased)	455,094	0.10
19	Merrill Lynch (Singapore) Private Limited	453,008	0.10
20	The Bank of East Asia (Nominees) Private Limited	437,000	0.09
	Total	458,892,411	96.95

Shareholding Statistics
as at 28 February 2011

SUBSTANTIAL SHAREHOLDER (ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 28 FEBRUARY 2011)

	Direct interest	Deemed interest	Total interest	
	No. of Shares	No. of Shares	No. of Shares	Percentage of issued 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 28 February 2011, 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.

Corporate Information

BOARD OF DIRECTORS
Mrs Fang Ai Lian, *Chairman*
Mr Christopher Wei, *Group CEO*
Dr Cheong Choong Kong
Mr David Conner
Mr Norman Ip
Mr Koh Beng Seng
Mr Lee Seng Wee
Mr Lee Chien Shih
Tan Sri Dato' Dr Lin See-Yan
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 Tan Yam Pin
Mr Christopher Wei

AUDIT COMMITTEE
Mr Tan Yam Pin, *Chairman*
Mrs Fang Ai Lian
Mr Norman Ip
Tan Sri Dato' Dr Lin See-Yan

REMUNERATION COMMITTEE
Mrs Fang Ai Lian, *Chairman*
Mr David Conner
Mr Koh Beng Seng
Mr Lee Chien Shih

RISK & INVESTMENT COMMITTEE
Mrs Fang Ai Lian, *Chairman*
Mr David Conner
Mr Norman Ip
Mr Koh Beng Seng
Mr Christopher Wei

GROUP COMPANY SECRETARY
Ms Jennifer Wong Pakshong

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Partner In Charge:
Mr Shekaran Krishnan
(since financial year 2008)

As at 15 February 2011

Management Team

GROUP

Christopher Wei
Group Chief Executive Officer

Tan Hak Leh
Chief Executive Officer, Singapore

Koh Yaw Hui
Chief Executive Officer, Malaysia

Tony Cheong
Group Chief Financial Officer

Andrew Lee
Group Chief Marketing
& Distribution Officer

Yoon Mun Thim
Group Chief Investment Officer

Ho Ming Heng
Managing Director, Operations & IT

Chin Wee Cheak
Head, Group Audit

Ronnie Tan
Head, Group Risk Management
& Regulatory Compliance

Jennifer Wong Pakshong
Group Company Secretary
& General Counsel

David Chiang Boon Kong
Managing Director, Group Human Capital

Loo Boon Teik
Group Actuary

Tan Seck Geok
Head, Group Corporate Communications

SINGAPORE

Tan Hak Leh
Chief Executive Officer, Singapore

Khoo Kah Siang
Chief Financial Officer

Ben Tan Tiong Kheng
Head, Distribution

Colin Chan U Meng
Head, Accident & Health & Customer Marketing

Dr Leow Yung Khee
Head, General & Group Insurance

Ho Lee Yen
Head, Life Bancassurance

Koo Chung Chang
Appointed Actuary

Lee Swee Kiang
Head, Life Business Agency

Patrick Chen Saii Lih
Head, Operations

Ng Koh Wee
Head, IT

Koh Peck Hoon
Deputy Head, Human Capital

Gary Colin Cosby
Head, Risk Management & Compliance

Joys Wiraatmadja
Chief Internal Auditor (Singapore)

Tan Mui Jun
Vice President, Investment Management

Edwin Foo Meng Soon
Senior Legal Counsel

Lion Global Investors Ltd

Gerard Lee How Cheng
Chief Executive Officer

Kong Siew Cheong
Chief Marketing Officer

Simon Richard Flood
Chief Investment Officer

James Tan Thian Peng
Chief Operating Officer

Alan Kong Tuck Meng
Head, Human Resources

MALAYSIA

Koh Yaw Hui
Chief Executive Officer, Malaysia

Song Hock Wan
Head, Customer Acquisition Division

Richard Lin Kwok Wing
Chief Investment Officer

Alan Teo Kwong Chia
Chief Operations Officer

Bruce Lee Yee Lam
Head, Finance & Corporate Affairs

Liza Hanim Binti Zainal Abidin
Company Secretary

Yap Chee Keong
Appointed Actuary

Nancy Lim (Mrs)
Head, Human Capital

Sophia Ch'ng Sok Heang
Deputy Head, Finance & Corporate Affairs

Cheong Soo Ching
Head, Risk Management & Compliance

Management Team

Lee Pooi Hor
Head, Information Technology

Audra Chung Kit Li
Chief Internal Auditor

Wong Wai Yean
Head, Group Insurance

Chan Chee Wei
Head, Bancassurance

Overseas Assurance Corporation (Malaysia) Bhd

Ng Kok Kheng
Chief Executive Officer

Liew Kim Loy
Executive Vice President, Marketing & Distribution

Cheam Tat Hoi
Executive Vice President, Finance & Administration

Tang Yoke Kuen
Vice President, Claims Management

Chong Kah Lay
Senior Vice President, Distribution Channel Management – Non-Agency

Lok Wey Cheng
Senior Vice President, Agency Channel Management

Yap Foo Vee
Senior Vice President, Operations

Great Eastern Takaful Sdn Bhd

Mohamad Salihuddin Ahmad
Chief Executive Officer

Elmie Aman Najas
Chief Operations Officer

Mohd Hafiz Johari
Head, Human Capital

Ariff Azhan Abd Ghani
Head, Agency Distribution

Syahriza Senan
Head, Risk & Compliance

Shapini Abdul Halim
Head, Legal & Secretarial

Wong Kang Yuan
Appointed Actuary

Rozita Ali
Head, Finance

Wan Ahmad Najib Wan
Head, Strategic Management Shariah

Mohd Hanafi Isa
Head, Partnership Distribution

Md Hafidz Md Hamzah
Head, Investment

CHINA

Ong Lean Wan
Chief Executive Officer

Raymond Ong Eng Siew
Chief Actuary & Chief Financial Officer

Patrick Kok Woon Chye
Chief Operations Officer

Huang Taoyuan
Chief Representative (Beijing Rep Office)

INDONESIA

Choo Sin Fook
President Director

Yannes Chandra
IT & Operations Director

Windawati Tjahjadi
Actuarial Director

Wong Fong Leng
Head, Finance & Strategic Planning

Francis Seo Wai Ming
Head, Bancassurance

Wilym Koh Jau Jen
Head, Agency Operations

Sukawati Lubis
Head, Corporate Secretariat, Communication, Legal & Compliance

Yungki Aldrin
Head, Human Capital

VIETNAM

Peter Dinh Quang Nuong
Chief Executive Officer

Duong Dai Hai
Chief Agency Officer

Truong Minh Tam
Chief Operations Officer

Phan Nguyen Diep Lan
Head, Legal and Compliance

Chau Thi Bich Nga
Head, Human Capital

BRUNEI

Helen Yeo (Mrs)
Head, Brunei Branch

Group Network

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CHINA

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INDONESIA

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Group Network

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Makassar
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Palembang
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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 Twelfth Annual General Meeting of Great Eastern Holdings Limited (the "Company") will be held at 1 Pickering Street #02-02, Great Eastern Centre, Singapore 048659 on Thursday, 14 April 2011 at 3.00 pm to transact the following business:

AS ORDINARY BUSINESS

1 To receive and adopt the Directors' Report and the audited Financial Statements for the financial year ended 31 December 2010.

2 (a) To re-appoint pursuant to Section 153(6) of the Companies Act, Chapter 50, the following Directors, 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:

(i) Mr Lee Seng Wee
(ii) Tan Sri Dato' Dr Lin See-Yan
(iii) Mr Tan Yam Pin

Note: Tan Sri Dato' Dr Lin See-Yan and Mr Tan Yam Pin will, upon their re-appointment as Directors, remain as members of the Audit Committee and are considered independent members of the Audit Committee.

(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) Mr David Conner
(ii) Mr Lee Chien Shih

(c) To re-elect Mr Christopher Wei retiring under Article 97 of the Company's Articles of Association and who being eligible, offers himself for re-election.

3 (a) To approve Directors' fees of $1,399,409 for the financial year ended 31 December 2010 (2009: $1,453,000).

(b) To approve a Special Director's fee of $600,000 to Mrs Fang Ai Lian for the financial year ended 31 December 2010.

4 To re-appoint Messrs Ernst & Young LLP as Auditors and authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

5 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 limit 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,

on a *pro rata* basis to shareholders of the Company, at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

Notice of Annual General Meeting

(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) shall 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);

(2) (subject to such manner of calculation and adjustments 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.

6 That authority be and is hereby given to Directors of the Company to allot and issue from time to time such number of shares as may be required to be allotted and issued pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme.

7 To transact any other ordinary business.

By Order of the Board

JENNIFER WONG PAKSHONG
Secretary

Singapore
22 March 2011

Notice of Annual General Meeting

EXPLANATORY NOTES

The Ordinary Resolution set out in item 3(b) is to approve the payment of $600,000 as a Special Director's fee to Mrs Fang Ai Lian in recognition of her exceptional contributions during the period of Group CEO transition in financial year 2010.

Special Business

The Ordinary Resolution set out in item 5 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 on a *pro rata* basis to shareholders of the Company, 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. 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.

The Ordinary Resolution set out in item 6 authorises the Directors of the Company to issue shares pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

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.*

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 Thursday, 14 April 2011 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 2010 Audited Financial Statements		
2 (a) (i)	Re-appointment of Mr Lee Seng Wee		
2 (a) (ii)	Re-appointment of Tan Sri Dato' Dr Lin See-Yan		
2 (a) (iii)	Re-appointment of Mr Tan Yam Pin		
2 (b) (i)	Re-election of Mr David Conner		
2 (b) (ii)	Re-election of Mr Lee Chien Shih		
2 (c)	Re-election of Mr Christopher Wei		
3 (a)	Approval of Directors' fees of $1,399,409 in respect of financial year 2010		
3 (b)	Approval of a Special Director's fee of $600,000 to Mrs Fang Ai Lian in respect of financial year 2010		
4	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise Directors to fix their remuneration		
	AS SPECIAL BUSINESS		
5	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50		
6	Authority for Directors to issue shares pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme		

Dated this ____________ day of ____________ 2011

Total Number of Shares Held

____
Signature(s) of Member(s) or Common Seal

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.

This annual report is printed on 9lives silk. This paper is environmentally-friendly and is produced with a minimum content of 51% recycled paper.

Designed by
greymatter williams and phoa (asia)

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(Incorporated in the Republic of Singapore)
(Company Reg. No. 199903008M)

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