

# GREAT EASTERN HOLDINGS LIMITED

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



## To Our Shareholders

The Board of Directors of Great Eastern Holdings Limited ("GEH") announced today:

### **Unaudited Financial Results of GEH Group for the Second Quarter and Half Year Ended 30 June 2010**

For the second quarter and half year ended 30 June 2010, Group profit attributable to shareholders was \$74.4 million and \$253.5 million respectively. Details of the financial results are attached.

### **Interim Dividend**

The Board of Directors is pleased to declare an interim tax exempt (one-tier) dividend of 10 cents per ordinary share in respect of the financial year ending 31 December 2010, to be paid on 2 September 2010 (2009: interim tax exempt (one-tier) dividend of 5 cents per ordinary share).

### **Closure of Books**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company be closed on 20 August 2010 for the purpose of determining the entitlement of shareholders to the interim tax exempt (one-tier) dividend of 10 cents per ordinary share. Duly completed registrable transfers of shares received by the Company's Share Registrar, M & C Services Pte Ltd at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 up to 5.00 p.m. on 19 August 2010 will be registered to determine shareholders' entitlements to the interim tax exempt (one-tier) dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 19 August 2010 will be entitled to the interim tax exempt (one-tier) dividend.

### **Confirmation by Directors pursuant to Rule 705(5) of the Listing Manual**

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Company and of the Group for the second quarter ended 30 June 2010 to be false or misleading in any material aspect.

By Order of the Board

Jennifer Wong Pakshong  
Group Company Secretary  
Singapore, 28 July 2010

*The Group financial results are also available on the Company's website at [www.lifeisgreat.com.sg](http://www.lifeisgreat.com.sg).*

**FINANCIAL RESULTS FOR THE SECOND QUARTER AND FIRST HALF 2010**

**1. GROUP PROFIT AND LOSS STATEMENTS**

in Singapore Dollars (millions)	1st Half 2010	1st Half 2009	% + / (-)	2nd Quarter 2010	2nd Quarter 2009	% + / (-)	1st Quarter 2010	% + / (-)
Gross Premiums	<b>2,710.3</b>	2,424.5	12	<b>1,367.3</b>	1,248.8	9	1,343.0	2
Life assurance profit from:								
Participating Fund	<b>46.6</b>	56.3	(17)	<b>23.7</b>	27.2	(13)	22.9	3
Non-participating Fund	<b>118.4</b>	268.8	(56)	<b>19.4</b>	74.2	(74)	99.0	(80)
Investment-linked Fund	<b>50.4</b>	65.1	(23)	<b>26.0</b>	23.3	12	24.4	7
Profit from life assurance	<b>215.4</b>	390.2	(45)	<b>69.1</b>	124.7	(45)	146.3	(53)
Profit from general insurance	<b>11.5</b>	18.7	(39)	<b>5.9</b>	6.6	(11)	5.6	5
<b>Profit from insurance operations</b>	<b>226.9</b>	408.9	(45)	<b>75.0</b>	131.3	(43)	151.9	(51)
Investment income, net	<b>54.7</b>	47.6	15	<b>26.6</b>	22.8	17	28.1	(5)
Gain/(loss) on sale of investments and changes in fair value	<b>10.6</b>	3.7	186	<b>(8.7)</b>	25.2	nm	19.3	nm
Increase in provision for impairment of assets	<b>(3.9)</b>	(4.1)	nm	<b>(1.7)</b>	(1.8)	nm	(2.2)	nm
Gain/(loss) on exchange differences	<b>0.7</b>	2.7	(74)	<b>(1.3)</b>	(2.5)	nm	2.0	nm
<b>Profit from investments</b>	<b>62.1</b>	49.9	24	<b>14.9</b>	43.7	(66)	47.2	(68)
<b>Fees and other income</b>	<b>35.3</b>	29.5	20	<b>18.4</b>	14.9	23	16.9	9
<b>Profit before expenses</b>	<b>324.3</b>	488.3	(34)	<b>108.3</b>	189.9	(43)	216.0	(50)
less:								
Management and other expenses	<b>27.3</b>	57.2	(52)	<b>14.8</b>	39.9	(63)	12.5	18
Depreciation	<b>0.6</b>	0.6	0	<b>0.2</b>	0.4	(50)	0.4	(50)
<b>Expenses</b>	<b>27.9</b>	57.8	(52)	<b>15.0</b>	40.3	(63)	12.9	16
<b>Profit after expenses</b>	<b>296.4</b>	430.5	(31)	<b>93.3</b>	149.6	(38)	203.1	(54)
Share of (loss)/gain after income tax of associates	<b>(0.3)</b>	0.9	nm	-	1.0	(100)	(0.3)	(100)
Share of loss after income tax of joint ventures	<b>(3.6)</b>	(2.8)	nm	<b>(2.0)</b>	(1.6)	nm	(1.6)	nm
<b>Profit before income tax</b>	<b>292.5</b>	428.6	(32)	<b>91.3</b>	149.0	(39)	201.2	(55)
Income tax	<b>(33.7)</b>	(89.6)	nm	<b>(14.3)</b>	(48.8)	nm	(19.4)	nm
<b>Profit after income tax</b>	<b>258.8</b>	339.0	(24)	<b>77.0</b>	100.2	(23)	181.8	(58)
<b>Attributable to:</b>								
<b>Shareholders</b>	<b>253.5</b>	334.7	(24)	<b>74.4</b>	97.7	(24)	179.1	(58)
<b>Non-controlling interest</b>	<b>5.3</b>	4.3	23	<b>2.6</b>	2.5	4	2.7	(4)
	<b>258.8</b>	339.0	(24)	<b>77.0</b>	100.2	(23)	181.8	(58)
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)	<b>0.54</b>	0.71	(24)	<b>0.16</b>	0.21	(24)	0.38	(58)
Return on Equity (Average Shareholders' Fund) (%) (not annualised)	<b>6.9%</b>	10.5%	-3.6 pp	<b>2.1%</b>	2.9%	-0.8 pp	4.8%	-2.7 pp

nm – not meaningful / exceeding 300%

## 2. GROUP STATEMENT OF COMPREHENSIVE INCOME

in Singapore Dollars (millions)	1st Half 2010	1st Half 2009	% + / (-)	2nd Quarter 2010	2nd Quarter 2009	% + / (-)	1st Quarter 2010	% + / (-)
<b>Profit after income tax for the period</b>	<b>258.8</b>	339.0	(24)	<b>77.0</b>	100.2	(23)	181.8	(58)
<b>Other comprehensive income:</b>								
Exchange differences arising on translation of overseas entities	30.0	(7.7)	nm	2.3	(12.0)	nm	27.7	(92)
Share of currency translation reserves of associates and joint ventures	0.5	2.6	(81)	0.4	(1.0)	nm	0.1	300
Available-for-sale financial assets:								
Changes in fair value	49.9	94.8	(47)	(0.8)	166.4	nm	50.7	nm
Reclassification of realised gains/(losses) on disposal and impairment to Profit and Loss Statement	14.3	2.8	nm	8.2	(17.7)	nm	6.1	34
Tax on changes in fair value	(11.3)	(20.0)	nm	(1.0)	(24.0)	nm	(10.3)	nm
Effect of reduction in tax rate on other comprehensive income	-	(1.2)	(100)	-	-	-	-	-
<b>Other comprehensive income for the period, after tax</b>	<b>83.4</b>	71.3	17	<b>9.1</b>	111.7	(92)	74.3	(88)
<b>Total comprehensive income for the period</b>	<b>342.2</b>	410.3	(17)	<b>86.1</b>	211.9	(59)	256.1	(66)
<b>Total comprehensive income attributable to:</b>								
<b>Shareholders</b>	<b>337.3</b>	406.5	(17)	<b>84.2</b>	210.1	(60)	253.1	(67)
<b>Non-controlling interest</b>	<b>4.9</b>	3.8	29	<b>1.9</b>	1.8	6	3.0	(37)
	<b>342.2</b>	410.3	(17)	<b>86.1</b>	211.9	(59)	256.1	(66)

nm – not meaningful / exceeding 300%

### 3. BALANCE SHEET – GROUP

in Singapore Dollars (millions)	Group		% + / (-)
	30 Jun 10	31 Dec 09	
<b>Share capital</b>	<b>247.4</b>	247.4	-
<b>Reserves</b>			
Currency translation reserve	<b>(7.5)</b>	(38.0)	nm
Fair value reserve	<b>120.8</b>	67.5	79
Accumulated profit	<b>3,377.2</b>	3,289.4	3
<b>SHAREHOLDERS' FUND</b>	<b>3,737.9</b>	3,566.3	5
<b>NON-CONTROLLING INTEREST</b>	<b>25.1</b>	26.7	(6)
<b>TOTAL EQUITY</b>	<b>3,763.0</b>	3,593.0	5
<b>LIABILITIES</b>			
Insurance payables	<b>2,325.0</b>	2,206.9	5
Other creditors and interfund balances	<b>1,738.6</b>	1,865.8	(7)
Unexpired risk reserve	<b>91.4</b>	79.5	15
Derivative financial liabilities	<b>56.3</b>	46.6	21
Income tax	<b>322.1</b>	299.1	8
Provision for agents' retirement benefits	<b>213.8</b>	192.0	11
Deferred tax	<b>825.3</b>	766.3	8
General insurance fund	<b>108.0</b>	95.5	13
Life assurance fund	<b>41,482.4</b>	39,386.5	5
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,925.9</b>	48,531.2	5
<b>ASSETS</b>			
Cash and cash equivalents	<b>3,623.1</b>	3,215.9	13
Other debtors and interfund balances	<b>1,708.9</b>	1,835.1	(7)
Insurance receivables	<b>2,528.2</b>	2,454.9	3
Amount due from joint venture	-	5.9	(100)
Loans	<b>1,813.8</b>	1,932.5	(6)
Derivative financial assets	<b>381.9</b>	322.8	18
Investments	<b>38,656.3</b>	36,558.9	6
Associates and joint ventures	<b>320.5</b>	323.9	(1)
Goodwill	<b>18.7</b>	18.7	-
Investment properties	<b>1,130.2</b>	1,118.9	1
Property, plant and equipment	<b>744.3</b>	743.7	0
<b>TOTAL ASSETS</b>	<b>50,925.9</b>	48,531.2	5
Net Asset Value per share (in Singapore Dollars)	<b>7.90</b>	7.53	5

For analysis of major variances, please refer to section 9.9 on page 10.

nm – not meaningful / exceeding 300%

#### 4. BALANCE SHEET – COMPANY

in Singapore Dollars (millions)	Company		
	30 Jun 10	31 Dec 09	% + / (-)
<b>Share capital</b>	<b>247.4</b>	247.4	-
<b>Reserves</b>			
Merger reserve	<b>419.2</b>	419.2	-
Accumulated profit	<b>678.4</b>	653.6	4
<b>TOTAL EQUITY</b>	<b>1,345.0</b>	1,320.2	2
<b>LIABILITIES</b>			
Other creditors and interfund balances	<b>6.5</b>	5.9	10
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,351.5</b>	1,326.1	2
<b>ASSETS</b>			
Cash and cash equivalents	<b>31.1</b>	11.1	180
Income tax	<b>0.2</b>	0.3	(33)
Amounts due from subsidiaries	<b>684.4</b>	678.9	1
Subsidiaries	<b>635.5</b>	635.5	-
Property, plant and equipment	<b>0.3</b>	0.3	-
<b>TOTAL ASSETS</b>	<b>1,351.5</b>	1,326.1	2
Net Asset Value per share (in Singapore Dollars)	<b>2.84</b>	2.79	2

#### 5. SELECTED MANAGEMENT EXPENSES

in Singapore Dollars (millions)	Shareholders' and General Insurance Funds				
	1st Half 2010	1st Half 2009	2nd Quarter 2010	2nd Quarter 2009	1st Quarter 2010
1 Directors' remuneration					
Directors of the Company	<b>0.7</b>	0.5	<b>0.4</b>	0.3	0.3
2 Staff costs and related expenses (including executive directors and key management personnel compensation)	<b>27.7</b>	25.5	<b>12.9</b>	10.6	14.8
3 Rental expense	<b>2.3</b>	2.7	<b>1.1</b>	1.4	1.2
4 Depreciation	<b>0.8</b>	0.8	<b>0.3</b>	0.5	0.5
in Singapore Dollars (millions)	Life Assurance Fund				
	1st Half 2010	1st Half 2009	2nd Quarter 2010	2nd Quarter 2009	1st Quarter 2010
1 Directors' remuneration					
Directors of the Company	<b>1.3</b>	1.4	<b>0.9</b>	1.0	0.4
2 Staff costs and related expenses (including executive directors and key management personnel compensation)	<b>60.7</b>	56.8	<b>30.2</b>	27.4	30.5
3 Rental expense	<b>8.2</b>	8.6	<b>4.2</b>	4.3	4.0
4 Depreciation	<b>21.8</b>	22.1	<b>11.1</b>	11.1	10.7

## 6.1 GROUP STATEMENT OF CHANGES IN EQUITY for the half-year ended 30 June

in Singapore Dollars (millions)	Attributable to Shareholders of the Company					Non-Controlling Interest	Total Equity
	Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit <sup>(1)</sup>	Total		
<b>Balance at 1 January 2010</b>	<b>247.4</b>	<b>(38.0)</b>	<b>67.5</b>	<b>3,289.4</b>	<b>3,566.3</b>	<b>26.7</b>	<b>3,593.0</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>30.5</b>	<b>53.3</b>	<b>253.5</b>	<b>337.3</b>	<b>4.9</b>	<b>342.2</b>
<b>Dividends paid during the period:</b>							
<b>Final and special final tax exempt (one-tier) dividends for the previous year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(165.7)</b>	<b>(165.7)</b>	<b>-</b>	<b>(165.7)</b>
<b>Dividends paid to non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.5)</b>	<b>(6.5)</b>
<b>Balance at 30 June 2010</b>	<b>247.4</b>	<b>(7.5)</b>	<b>120.8</b>	<b>3,377.2</b>	<b>3,737.9</b>	<b>25.1</b>	<b>3,763.0</b>
Balance at 1 January 2009	247.4	(25.9)	(82.4)	2,872.1	3,011.2	28.5	3,039.7
Total comprehensive income for the period	-	(5.1)	76.9	334.7	406.5	3.8	410.3
Dividends paid during the period:							
Final tax exempt (one-tier) dividends for the previous year	-	-	-	(75.7)	(75.7)	-	(75.7)
Dividends paid to non-controlling interest	-	-	-	-	-	(5.4)	(5.4)
Balance at 30 June 2009	247.4	(31.0)	(5.5)	3,131.1	3,342.0	26.9	3,368.9

## 6.2 GROUP STATEMENT OF CHANGES IN EQUITY for the second quarter ended 30 June

in Singapore Dollars (millions)	Attributable to Shareholders of the Company					Non-Controlling Interest	Total Equity
	Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit <sup>(1)</sup>	Total		
<b>Balance at 1 April 2010</b>	<b>247.4</b>	<b>(10.2)</b>	<b>113.7</b>	<b>3,468.5</b>	<b>3,819.4</b>	<b>25.5</b>	<b>3,844.9</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2.7</b>	<b>7.1</b>	<b>74.4</b>	<b>84.2</b>	<b>1.9</b>	<b>86.1</b>
<b>Dividends paid during the period:</b>							
<b>Final and special final tax exempt (one-tier) dividends for the previous year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(165.7)</b>	<b>(165.7)</b>	<b>-</b>	<b>(165.7)</b>
<b>Dividends paid to non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.3)</b>	<b>(2.3)</b>
<b>Balance at 30 June 2010</b>	<b>247.4</b>	<b>(7.5)</b>	<b>120.8</b>	<b>3,377.2</b>	<b>3,737.9</b>	<b>25.1</b>	<b>3,763.0</b>
Balance at 1 April 2009	247.4	(18.0)	(130.9)	3,109.1	3,207.6	25.1	3,232.7
Total comprehensive income for the period	-	(13.0)	125.4	97.7	210.1	1.8	211.9
Dividends paid during the period:							
Final tax exempt (one-tier) dividend for the previous year	-	-	-	(75.7)	(75.7)	-	(75.7)
Balance at 30 June 2009	247.4	(31.0)	(5.5)	3,131.1	3,342.0	26.9	3,368.9

(1) Included in Accumulated Profit are non-distributable reserves of \$862.6 million (30 June 2009: \$787.3 million), which arise from regulatory risk charges in Singapore and Malaysia that are held out of the Group Shareholders' Accumulated Profit Account.

## 7.1 COMPANY STATEMENT OF CHANGES IN EQUITY for the half-year ended 30 June

in Singapore Dollars (millions)	Share Capital	Merger Reserve	Accumulated Profit	Total Equity
Balance at 1 January 2010	247.4	419.2	653.6	1,320.2
Total comprehensive income for the period	-	-	190.5	190.5
Dividends paid during the year:				
Final and special final tax exempt (one-tier) dividends for the previous year	-	-	(165.7)	(165.7)
<b>Balance at 30 June 2010</b>	<b>247.4</b>	<b>419.2</b>	<b>678.4</b>	<b>1,345.0</b>
Balance at 1 January 2009	247.4	419.2	735.7	1,402.3
Total comprehensive income for the period	-	-	9.4	9.4
Dividends paid during the year:				
Final tax exempt (one-tier) dividends for the previous year	-	-	(75.7)	(75.7)
Balance at 30 June 2009	247.4	419.2	669.4	1,336.0

## 7.2 COMPANY STATEMENT OF CHANGES IN EQUITY for the second quarter ended 30 June

in Singapore Dollars (millions)	Share Capital	Merger Reserve	Accumulated Profit	Total Equity
Balance at 1 April 2010	247.4	419.2	661.9	1,328.5
Total comprehensive income for the period	-	-	182.2	182.2
Dividends paid during the period:				
Final and special final tax exempt (one-tier) dividends for the previous year	-	-	(165.7)	(165.7)
<b>Balance at 30 June 2010</b>	<b>247.4</b>	<b>419.2</b>	<b>678.4</b>	<b>1,345.0</b>
Balance at 1 April 2009	247.4	419.2	746.8	1,413.4
Total comprehensive income for the period	-	-	(1.7)	(1.7)
Dividends paid during the period:				
Final tax exempt (one-tier) dividends for the previous year	-	-	(75.7)	(75.7)
Balance at 30 June 2009	247.4	419.2	669.4	1,336.0

## 8. CONSOLIDATED STATEMENT OF CASH FLOWS

in Singapore Dollars (millions)	1st Half 2010	1st Half 2009	2nd Quarter 2010	2nd Quarter 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before income tax	292.5	428.6	91.3	149.0
Life assurance profit before income tax	394.4	722.9	359.3	(536.6)
General insurance profit before income tax	12.5	20.5	7.3	8.1
Adjustments for non-cash items:				
Surplus transferred from life assurance fund but not yet withdrawn	(215.4)	(390.2)	(69.1)	(124.7)
Profit transferred from general insurance fund but not yet withdrawn	(11.5)	(18.7)	(5.9)	(6.6)
Share of (profit)/loss of associates and joint ventures	(16.3)	35.2	(0.1)	5.3
(Gain)/loss on sale of investments and changes in fair value	(128.9)	(209.3)	19.7	(525.7)
Increase in provision for impairment of assets	28.8	48.8	21.6	17.2
Increase in provision for agents' retirement benefits	15.9	8.7	7.1	5.4
Gain on disposal of property, plant and equipment and investment properties	-	(6.3)	-	(6.2)
Depreciation	22.6	22.9	11.4	11.6
Unrealised loss/(gain) on exchange differences	58.1	(59.5)	30.4	86.9
Change in life assurance contract liabilities	944.1	251.6	198.7	1,365.5
Change in general insurance contract liabilities	14.4	(10.4)	3.1	(3.3)
Change in unexpired risk reserve	9.3	10.0	0.5	(0.1)
Dividend income	(169.6)	(143.7)	(96.7)	(75.4)
Interest income	(717.6)	(663.0)	(366.7)	(330.2)
Interest expense on policy benefits	40.9	36.8	21.0	18.6
Share-based payments	2.5	2.3	1.2	0.7
	<b>576.7</b>	<b>87.2</b>	<b>234.1</b>	<b>59.5</b>
Changes in working capital:				
Insurance receivables	(77.6)	11.3	7.8	36.1
Other debtors and interfund balances	98.4	64.4	382.2	241.6
Insurance payables	118.1	30.4	28.4	(5.6)
Other creditors and interfund balances	(129.7)	(308.8)	(340.9)	(630.9)
Cash generated from/(used in) operations	<b>585.9</b>	<b>(115.5)</b>	<b>311.6</b>	<b>(299.3)</b>
Income tax paid	(72.5)	(57.2)	(36.6)	(14.7)
Interest paid on policy benefits	(40.9)	(36.8)	(21.0)	(18.6)
Agents' retirement benefits paid	(4.6)	(4.6)	(2.3)	(2.9)
<b>Net cash flows from/(used in) operating activities</b>	<b>467.9</b>	<b>(214.1)</b>	<b>251.7</b>	<b>(335.5)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	7,263.6	8,889.3	4,424.1	3,976.3
Purchase of investments	(8,857.5)	(8,831.8)	(4,431.1)	(3,879.8)
Proceeds from reduction of interests in associates	28.4	-	-	-
Capital injection in associates and joint ventures	-	(51.9)	-	(5.4)
Repayment of loans by joint ventures	5.9	0.1	(0.2)	0.2
Proceeds from sale of property, plant and equipment and investment properties	0.1	13.2	0.1	6.8
Purchase of property, plant and equipment and investment properties	(11.2)	(7.8)	(5.5)	(4.0)
Interest income received	672.5	632.3	333.6	286.6
Dividends received	206.3	137.8	90.8	75.4
<b>Net cash flows (used in) / from investing activities</b>	<b>(691.9)</b>	<b>781.2</b>	<b>411.8</b>	<b>456.1</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid	(165.7)	(75.7)	(165.7)	(75.7)
Dividends paid to non-controlling interest	(6.5)	(5.4)	(2.3)	-
<b>Net cash flows used in financing activities</b>	<b>(172.2)</b>	<b>(81.1)</b>	<b>(168.0)</b>	<b>(75.7)</b>
<b>Net effect of currency translation reserve adjustment</b>	<b>803.4</b>	<b>(113.9)</b>	<b>70.6</b>	<b>(196.0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>407.2</b>	<b>372.1</b>	<b>566.1</b>	<b>(151.1)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,215.9</b>	<b>4,030.4</b>	<b>3,057.0</b>	<b>4,553.6</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,623.1</b>	<b>4,402.5</b>	<b>3,623.1</b>	<b>4,402.5</b>



## 9. REVIEW OF RESULTS

The Group Financial Statements for the second quarter of 2010 (Q2-10) and for the half-year ended 30 June 2010 (1H-10) have been prepared in accordance with the Singapore Financial Reporting Standards (FRS) and Interpretations of FRS (INT FRS).

### 9.1 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Group profit attributable to shareholders in 1H-10 was \$253.5 million, an increase of 86% over the same period last year after excluding a one-time profit contribution (after tax) of \$198.5 million in 1H-09. The one-time profit contribution last year arose from the move to a new risk-based regulatory capital framework in Malaysia and a portfolio matching exercise in Singapore. The better performance was driven by continued strong underwriting profit from the Group's focus on protection products and lower management expenses.

In the second quarter, profit was affected by a drop in worldwide equity and corporate bond prices and as a result, Group profit attributable to shareholders decreased 24% year-on-year to \$74.4 million.

### 9.2 GROSS PREMIUMS

Q2-10 gross premiums increased 9% year-on-year to \$1,367.3 million (Q2-09: \$1,248.8 million) in line with the increase in new sales. 1H-10 gross premiums increased 12% to \$2,710.3 million (1H-09: \$2,424.5 million).

### 9.3 NEW SALES

9.3.1 Q2-10 total weighted new sales rose 30% year-on-year to \$166.1 million (Q2-09: \$128.1 million). The Singapore operations maintained its sales momentum in regular premium products and in Malaysia, strong sales of investment-linked regular premium products helped to boost performance. Indonesia also registered strong growth as a result of ongoing initiatives to increase the number of active agents.

Sales were 23% higher than in Q1-10, mainly contributed by the sale of investment-linked regular premium products in Malaysia.

in SGD (million)	1H-10	1H-09	+ / (-)	Q2-10	Q2-09	+ / (-)	Q1-10	+ / (-)
<b>SINGAPORE</b>								
Single Premium	655.3	558.4	17%	289.2	270.4	7%	366.1	-21%
New Regular Premium	89.2	52.1	71%	44.5	30.3	47%	44.7	0%
Total Weighted New Sales	154.7	107.9	43%	73.4	57.3	28%	81.3	-10%
<b>MALAYSIA</b>								
Single Premium	42.8	55.1	-22%	22.1	40.5	-45%	20.7	7%
New Regular Premium	124.4	121.5	2%	80.0	64.2	25%	44.4	80%
Total Weighted New Sales	128.7	127.0	1%	82.2	68.2	21%	46.5	77%
<b>OTHER ASIA</b>								
Single Premium	57.5	11.3	nm	23.5	6.5	262%	34.0	-31%
New Regular Premium	12.1	4.4	175%	8.1	1.9	nm	4.0	103%
Total Weighted New Sales	17.9	5.5	225%	10.5	2.6	nm	7.4	42%
<b>TOTAL</b>								
Single Premium	755.6	624.8	21%	334.8	317.4	5%	420.8	-20%
New Regular Premium	225.7	178.0	27%	132.6	96.4	38%	93.1	42%
Total Weighted New Sales	301.3	240.4	25%	166.1	128.1	30%	135.2	23%

- Note:
- Total Weighted New Sales = (Single Premium x 10%) + New Regular Premium
  - Figures have been restated to align the definition of new sales across all entities within the Group. Before restatement, the total weighted new sales for Q2-09 was \$140.3 million.
  - Premiums from Malaysia and Other Asia are converted using 2010 quarter-end and 2009 year-end exchange rates respectively.
  - Other Asia includes premiums from Indonesia, Vietnam and China. China results reflect the Group's share of 50% in the joint venture.

### 9.3.2 New Business Embedded Value (NBEV)

in SGD (million)	1H-10	1H-09	+ / (-)	Q2-10	Q2-09	+ / (-)	Q1-10	+ / (-)
Singapore	<b>65.0</b>	48.8	33%	<b>31.4</b>	28.0	12%	33.6	-7%
Malaysia	<b>58.2</b>	46.3	26%	<b>35.2</b>	24.9	41%	23.0	53%
Other Asia	<b>4.7</b>	1.3	262%	<b>2.8</b>	0.8	250%	1.9	47%
<b>Total</b>	<b>127.9</b>	96.4	33%	<b>69.4</b>	53.7	29%	58.5	19%

Note: Other Asia includes embedded value of Indonesia, Vietnam and China. China results reflect the Group's share of 50% in the joint venture.

1H-10 NBEV grew 33% year-on-year against sales growth of 25% in the same period. A higher proportion of investment-linked regular premium sales in Malaysia contributed to NBEV growth of 26% in spite of total sales growth of 1%.

## 9.4 PROFIT FROM INSURANCE OPERATIONS

### Q2 performance

Profit from insurance operations for the quarter decreased 43% year-on-year to \$75.0 million (Q2-09: \$131.3 million).

Profit from the Non-Participating Fund of \$19.4 million in Q2-10 was 74% lower than last year (Q2-09: \$74.2 million). Underwriting performance, in particular from Singapore, was higher compared with last year, due to lower medical and mortality claims and management expenses. Investment performance was affected by the drop in worldwide equity and corporate bond prices; however the impact was mitigated by an increase in the market value of the fixed income portfolio from falling interest rates.

Profit from Investment-linked Fund of \$26.0 million was 12% higher than last year (Q2-09: \$23.3 million). The increase was largely contributed by the growth in investment-linked products in Malaysia.

### 1H performance

1H-10 profit from insurance operations was \$226.9 million (1H-09: \$408.9 million).

in SGD (million)	1H-10			1H-09		
	Recurring Profit	One-time Profit	Total Profit	Recurring Profit	One-time Profit	Total Profit
Life assurance profit from:						
Participating Fund	46.6	-	46.6	56.3	-	56.3
Non-participating Fund	118.4	-	118.4	93.4	175.4	268.8
Investment-linked Fund	50.4	-	50.4	42.2	22.9	65.1
Profit from life assurance	215.4	-	215.4	191.9	198.3	390.2
Profit from general insurance	11.5	-	11.5	6.6	12.1	18.7
<b>Profit from insurance operations</b>	<b>226.9</b>	<b>-</b>	<b>226.9</b>	<b>198.5</b>	<b>210.4</b>	<b>408.9</b>

Excluding the one-time profit contribution in 1H-09 (related to the move to the new risk-based regulatory capital framework in Malaysia and the portfolio matching exercise in Singapore), recurring profit from the Group's insurance operations would be 14% higher than last year.

Higher profit was mainly due to better underwriting profit because of lower expenses and claims.

## **9.5 PROFIT FROM INVESTMENTS IN SHAREHOLDERS' FUND**

1H-10 profit from investments in Shareholders' Fund was \$62.1 million, 24% higher than last year (1H-09: \$49.9 million). However, Q2-10 profit of \$14.9 million was lower than Q2-09 due to poor investment performance.

## **9.6 FEES AND OTHER INCOME**

In Q2-10, fees and other income increased 23% year-on-year to \$18.4 million (Q2-09: \$14.9 million) due to the growth in assets under management (AUM) of Lion Global Investors Limited (\$27.8 billion as at 30 June 2010 compared with \$25.9 billion as at 30 June 2009). In 1H-10, fees and other income were 20% higher at \$35.3 million (1H-09: \$29.5 million).

## **9.7 MANAGEMENT AND OTHER EXPENSES**

Compared with Q2-09, management and other expenses decreased to \$14.8 million (Q2-09: \$39.9 million) largely due to a provision of expense made in Q2-09. This provision was subsequently reversed in Q4-09 when it was no longer required.

## **9.8 SHARE OF LOSS OF ASSOCIATES AND JOINT VENTURES**

In Q2-10, share of loss of associates and joint ventures increased to \$2.0 million (Q2-09: \$0.6 million) due to higher management and distribution expenses to support the joint-venture in China. Share of loss for 1H-10 was \$3.9 million (1H-09: \$1.9 million).

## **9.9 BALANCE SHEET**

### **9.9.1 Currency Translation Reserve**

As at 30 June 2010, translation loss was reduced to \$7.5 million compared with \$38.0 million as at 31 December 2009 mainly due to the strengthening of the Malaysian Ringgit against the Singapore Dollar.

### **9.9.2 Fair Value Reserve**

As at 30 June 2010, fair value reserve increased by 79% to \$120.8 million compared with \$67.5 million as at 31 December 2009 mainly due to mark-to-market gains.

### **9.9.3 Income Tax and Deferred Tax**

As at 30 June 2010, income tax provision increased by 8% to \$322.1 million, in line with the increase in profit. Deferred tax increased by 8% to \$825.3 million as a result of larger investment gains.

### **9.9.4 Cash and cash equivalents**

As at 30 June 2010, cash and cash equivalents increased by 13% to \$3,623.1 million compared with \$3,215.9 million as at 31 December 2009; to maintain sufficient liquidity to meet operation needs.

### **9.9.5 Investments**

As at 30 June 2010, valuation of investments increased by 6% to \$38,656.3 million compared with \$36,558.9 million as at 31 December 2009 due primarily to mark-to-market changes. Of the increase, 74% was from the Participating Fund and 9% from the Investment-Linked Fund.

9.9.6 Asset allocation of life funds, excluding Investment-Linked Funds, was as follows:

	SINGAPORE		MALAYSIA	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Fixed income & debt securities	64%	63%	73%	72%
Equities	19%	23%	19%	19%
Real estate & others	8%	7%	4%	4%
Cash & money market instruments	9%	7%	4%	5%
Market Value of Assets (in SGD billion)	24.3	23.6	18.2	16.7

#### 9.10 REGULATORY CAPITAL

The insurance subsidiaries of the Group have complied with the capital ratios prescribed by the insurance regulations of the jurisdictions in which they operate. In Singapore and Malaysia, the Capital Adequacy Ratios of the insurance subsidiaries both exceeded 200%, well above the minimum regulatory ratios of 120% and 130% respectively.

#### 10. SHARE CAPITAL

The Company's issued and paid up share capital amounted to \$247.4 million as at 30 June 2010, the same as 31 December 2009. Total number of shares issued as at 30 June 2010 was 473,319,069, the same as 31 December 2009.

#### 11. ACCOUNTING POLICIES

The Group adopted the accounting policies and methods of computation for the financial statements for Q2-10, consistent with the audited financial statements for the year ended 31 December 2009.

The adoption of the other revised and new FRS and INT FRS which came into effect on 1 January 2010 does not have any material financial impact on the Group's results for Q2-10.

#### 12. UNAUDITED RESULTS

The consolidated Group's financial results for the second quarter and half-year ended 30 June 2010 have not been audited or reviewed by the Group's auditors.

#### 13. FACTORS THAT MAY AFFECT GROUP PERFORMANCE IN THE NEXT REPORTING AND/OR 12-MONTH PERIOD

The Group's performance may be affected by interest rate changes and volatility in the financial markets arising from concerns relating to Eurozone debt and the economic slowdown that is already apparent in the USA, Europe and Asia, including China.

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