

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**”) has announced:

Audited Financial Results of GEH Group for the Fourth Quarter and Year Ended 31 December 2019

For the fourth quarter and year ended 31 December 2019, Group profit attributable to shareholders was \$287.0 million and \$1,003.8 million respectively. Details of the financial results are attached.

Unaudited Supplementary Information

Disclosure of operating and non-operating profit from insurance business is provided as supplementary information to the financial results.

Dividend

The Board of Directors is pleased to recommend a final one-tier tax exempt dividend of 50 cents per ordinary share (2018: final one-tier tax exempt dividend of 50 cents per ordinary share). Including the interim one-tier tax exempt dividend of 10 cents per ordinary share paid in August 2019, total dividends for financial year 2019 would amount to 60 cents per ordinary share (2018: 60 cents per ordinary share).

Record Date and Payment Date for Dividend

Subject to the approval of the shareholders to the final one-tier tax exempt dividend at the Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 25 April 2020 for the purpose of determining the entitlement of shareholders to the recommended final one-tier tax exempt dividend of 50 cents per ordinary share. Duly completed registrable transfers of shares received by the Company’s Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 up to 5.00 p.m. on 24 April 2020 will be registered to determine shareholders’ entitlement to the proposed dividend. Subject to the aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 24 April 2020 will be entitled to the proposed dividend.

The final one-tier tax exempt dividend, if approved by shareholders, will be paid on 8 May 2020.

By Order of the Board

Jennifer Wong Pakshong
Group Company Secretary
Singapore, 18 February 2020

The Group financial results are also available on the Company’s website at www.greateasternlife.com.

FINANCIAL RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2019

1. GROUP PROFIT OR LOSS STATEMENTS

in Singapore Dollars (millions)	Note	Year ended 2019	Year ended 2018	% +/(-)	4th Quarter 2019	4th Quarter 2018	% +/(-)	3rd Quarter 2019	% +/(-)
Income									
Gross premiums	10.2	11,769.5	12,239.2	(4)	3,236.6	2,996.2	8	3,069.3	5
less: Premiums ceded to reinsurers		592.3	379.1	56	115.4	91.7	26	155.7	(26)
less: Increase/(decrease) in premium liabilities		12.6	11.4	11	1.0	(1.8)	156	-	nm
Net premiums		11,164.6	11,848.7	(6)	3,120.2	2,906.3	7	2,913.6	7
Commissions received from reinsurers		76.8	71.6	7	20.3	16.1	26	18.2	12
Investment income, net	10.3	2,712.2	2,624.3	3	630.0	593.5	6	744.9	(15)
Rental income, net		53.3	53.6	(1)	12.1	11.3	7	13.9	(13)
Fees and other income	10.4	76.2	77.5	(2)	19.7	19.0	4	19.8	(1)
Gain/(loss) on sale of investments and changes in fair value	10.5	4,601.8	(2,630.8)	275	922.8	(1,644.7)	156	606.8	52
Change in third-party interests in consolidated investment funds		(10.3)	10.9	(194)	(6.8)	5.3	(228)	3.5	(294)
Gain on disposal of subsidiary		3.5	-	nm	3.5	-	nm	-	nm
(Loss)/gain on exchange differences	10.6	(37.7)	39.2	(196)	(71.0)	(11.6)	(512)	54.5	(230)
Total income		18,640.4	12,095.0	54	4,650.8	1,895.2	145	4,375.2	6
less: Expenses									
Gross claims, surrenders and annuities	10.7	6,810.9	6,570.2	4	1,775.4	1,712.9	4	1,874.5	(5)
Claims, surrenders and annuities recovered from reinsurers		(297.7)	(218.0)	(37)	(69.1)	(51.9)	(33)	(86.3)	20
Commissions and distribution expenses	10.8	1,150.4	1,012.0	14	357.6	284.7	26	288.8	24
Increase/(decrease) in provision for impairment of assets		28.5	(40.4)	171	22.2	(34.0)	165	7.3	204
Management and other expenses	10.9	663.4	531.5	25	222.7	154.5	44	150.4	48
Interest expense		18.3	18.3	-	4.6	4.6	-	4.5	2
Agents' retirement benefits		42.3	27.8	52	9.5	4.1	132	6.4	48
Depreciation and amortisation expenses		73.5	56.7	30	22.7	16.6	37	19.8	15
Change in insurance contract liabilities	10.10	8,553.2	3,188.2	168	1,851.3	(314.6)	688	1,866.0	(1)
Tax attributable to policyholders' returns	10.11	403.8	40.1	907	106.1	(50.1)	312	20.6	415
Total expenses		17,446.6	11,186.4	56	4,303.0	1,726.8	149	4,152.0	4
Profit before share of loss of associates		1,193.8	908.6	31	347.8	168.4	107	223.2	56
Share of loss after income tax of associates		(0.3)	(0.5)	40	(0.1)	(0.2)	50	-	nm
Profit before income tax		1,193.5	908.1	31	347.7	168.2	107	223.2	56
Income tax		(171.4)	(158.1)	(8)	(56.2)	(30.6)	(84)	(13.7)	(310)
Profit after income tax		1,022.1	750.0	36	291.5	137.6	112	209.5	39
Attributable to:									
Shareholders	10.1	1,003.8	740.7	36	287.0	136.9	110	205.1	40
Non-controlling interests		18.3	9.3	97	4.5	0.7	543	4.4	2
		1,022.1	750.0	36	291.5	137.6	112	209.5	39
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)		2.12	1.56	36	0.61	0.28	118	0.43	41
Return on Equity (Average Shareholders' Fund) (%)		12.5%	9.9%	2.6 pp	3.4%	1.9%	1.5 pp	2.5%	0.9 pp

nm – not meaningful / exceeding 1000%

2. GROUP STATEMENT OF COMPREHENSIVE INCOME

in Singapore Dollars (millions)	Year ended 2019	Year ended 2018	% + / (-)	4th Quarter 2019	4th Quarter 2018	% + / (-)	3rd Quarter 2019	% + / (-)
Profit after income tax for the year	1,022.1	750.0	36	291.5	137.6	112	209.5	39
Other comprehensive income:								
Items that will not be reclassified to profit or loss:								
Exchange differences arising on translation of overseas entities attributable to non-controlling interests	(0.1)	0.2	(150)	(0.1)	-	nm	-	nm
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	174.4	(372.4)	147	78.9	(252.7)	131	(77.8)	201
Income tax related to the above	(31.4)	66.5	(147)	(13.0)	44.6	(129)	10.6	(223)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of overseas entities	1.2	(5.5)	122	(1.1)	(1.8)	39	7.1	(115)
Debt instruments at fair value through other comprehensive income:								
Changes in fair value	502.9	(231.5)	317	4.8	36.5	(87)	207.3	(98)
Changes in allowance for expected credit losses	0.9	(4.7)	119	0.8	(0.2)	500	0.4	100
Reclassification of realised (gain)/loss on disposal of investments to Profit or Loss Statement	(130.4)	5.5	nm	(8.5)	2.1	(505)	(88.8)	90
Income tax related to the above	(63.3)	39.4	(261)	0.2	(6.3)	103	(19.7)	101
Other comprehensive income for the year, after tax	454.2	(502.5)	190	62.0	(177.8)	135	39.1	59
Total comprehensive income for the year	1,476.3	247.5	496	353.5	(40.2)	979	248.6	42
Total comprehensive income attributable to:								
Shareholders	1,458.0	240.6	506	349.1	(40.9)	954	244.1	43
Non-controlling interests	18.3	6.9	165	4.4	0.7	529	4.5	(2)
	1,476.3	247.5	496	353.5	(40.2)	979	248.6	42

nm – not meaningful / exceeding 1000%

3. GROUP BALANCE SHEET

in Singapore Dollars (millions)	Note	Group		
		31 Dec 2019	31 Dec 2018	% + / (-)
Share capital		152.7	152.7	-
Reserves				
Currency translation reserve		8.4	7.4	14
Fair value reserve	10.12.1	338.3	(214.2)	258
Other reserve		0.2	0.2	-
Retained earnings		8,111.1	7,490.8	8
SHAREHOLDERS' EQUITY		8,610.7	7,436.9	16
NON-CONTROLLING INTERESTS		90.9	84.6	7
TOTAL EQUITY		8,701.6	7,521.5	16
LIABILITIES				
Insurance payables		5,205.0	4,619.2	13
Other creditors		3,945.6	1,647.1	140
Derivative financial liabilities		195.6	294.7	(34)
Income tax payable		558.0	507.7	10
Provision for agents' retirement benefits		294.0	276.1	6
Deferred tax		1,543.0	1,132.1	36
Debt issued	10.12.2	399.9	399.8	-
Insurance contract liabilities		75,663.6	68,643.8	10
TOTAL EQUITY AND LIABILITIES		96,506.3	85,042.0	13
ASSETS				
Cash and cash equivalents		6,215.9	5,705.1	9
Other debtors		1,124.9	1,073.5	5
Insurance receivables		3,031.8	2,794.1	9
Loans		1,071.5	1,329.6	(19)
Derivative financial assets		417.2	226.9	84
Investments	10.12.3	82,117.5	71,521.3	15
Associates		1.7	1.7	-
Intangible assets		31.7	27.4	16
Investment properties		1,785.5	1,771.3	1
Property, plant and equipment		708.6	591.1	20
TOTAL ASSETS		96,506.3	85,042.0	13
Net Asset Value per share (in Singapore Dollars)		18.19	15.71	16

nm – not meaningful / exceeding 1000%

4. COMPANY BALANCE SHEET

in Singapore Dollars (millions)	Company		
	31 Dec 2019	31 Dec 2018	% + / (-)
Share capital	152.7	152.7	-
Reserves			
Merger reserve	419.2	419.2	-
Retained earnings	3,337.6	3,014.6	11
TOTAL EQUITY	3,909.5	3,586.5	9
LIABILITIES			
Other creditors	7.1	7.7	(8)
Income tax	0.1	-	nm
TOTAL EQUITY AND LIABILITIES	3,916.7	3,594.2	9
ASSETS			
Cash and cash equivalents	17.3	42.6	(59)
Other debtors	0.2	0.1	100
Amounts due from subsidiaries	3,005.2	2,657.5	13
Subsidiaries	893.9	893.9	-
Property, plant and equipment	0.1	0.1	-
TOTAL ASSETS	3,916.7	3,594.2	9
Net Asset Value per share (in Singapore Dollars)	8.26	7.58	9

5.1 GROSS PREMIUMS AND PROFIT ATTRIBUTABLE TO SHAREHOLDERS FOR FIRST AND SECOND HALF OF 2019

in Singapore Dollars (millions)	Group					
	First Half			Second Half		
	2019	2018	% + / (-)	2019	2018	% + / (-)
Gross premiums	5,463.6	5,698.2	(4)	6,305.9	6,541.0	(4)
Profit attributable to shareholders	511.7	390.5	31	492.1	350.2	41

5.2 SELECTED INCOME AND MANAGEMENT EXPENSES

in Singapore Dollars (millions)	Group				
	Year ended 2019	Year ended 2018	4th Quarter 2019	4th Quarter 2018	3rd Quarter 2019
Expenses					
1. Staff costs and related expenses (including executive directors and key management personnel compensation)	395.0	307.2	138.4	92.1	87.7
2. Depreciation and amortisation expenses	73.5	56.7	22.7	16.6	19.8

6.1. GROUP STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

in Singapore Dollars (millions)	Attributable to Shareholders of the Company					Total	Non-Controlling Interests	Total Equity
	Share Capital	Currency Translation Reserve	Fair Value Reserve	Other Reserve	Retained Earnings ⁽¹⁾			
Balance at 1 January 2019	152.7	7.4	(214.2)	0.2	7,490.8	7,436.9	84.6	7,521.5
Profit for the year	-	-	-	-	1,003.8	1,003.8	18.3	1,022.1
Other comprehensive income								
Exchange differences arising on translation of overseas entities	-	1.2	-	-	-	1.2	(0.1)	1.1
Net revaluation gains on equity instruments at fair value through other comprehensive income	-	-	143.0	-	-	143.0	-	143.0
Debt instruments at FVOCI:								
Changes in fair value	-	-	502.8	-	-	502.8	0.1	502.9
Changes in allowance for expected credit losses	-	-	0.9	-	-	0.9	-	0.9
Reclassification of realised gain on disposal of investments to Profit or Loss Statement	-	-	(130.4)	-	-	(130.4)	-	(130.4)
Income tax related to the above	-	-	(63.3)	-	-	(63.3)	-	(63.3)
Other comprehensive income for the year, after tax	-	1.2	453.0	-	-	454.2	-	454.2
Total comprehensive income for the year	-	1.2	453.0	-	1,003.8	1,458.0	18.3	1,476.3
Reclassification of net change in fair value of equity instruments upon derecognition	-	-	99.5	-	(99.5)	-	-	-
Distributions to shareholders								
Dividends paid during the year:								
Final one-tier tax exempt dividend for the previous year	-	-	-	-	(236.7)	(236.7)	-	(236.7)
Interim one-tier tax exempt dividend	-	-	-	-	(47.3)	(47.3)	-	(47.3)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(10.7)	(10.7)
Total distributions to shareholders	-	-	-	-	(284.0)	(284.0)	(10.7)	(294.7)
Changes in ownership interests in subsidiaries								
Acquisition of subsidiary	-	-	-	-	-	-	2.0	2.0
Disposal of subsidiary	-	(0.2)	-	-	-	(0.2)	(3.3)	(3.5)
Total changes in ownership interests in subsidiaries	-	(0.2)	-	-	-	(0.2)	(1.3)	(1.5)
Total transactions with shareholders in their capacity as shareholders	-	(0.2)	-	-	(284.0)	(284.2)	(12.0)	(296.2)
Balance at 31 December 2019	152.7	8.4	338.3	0.2	8,111.1	8,610.7	90.9	8,701.6

6.2. GROUP STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2018

in Singapore Dollars (millions)	Attributable to Shareholders of the Company					Total	Non-Controlling Interests	Total Equity
	Share Capital	Currency Translation Reserve	Fair Value Reserve	Other Reserve	Retained Earnings ⁽¹⁾			
Balance as at 31 December 2017	152.7	12.9	365.9	0.2	6,997.0	7,528.7	86.1	7,614.8
Adoption of SFRS(I) 9	-	-	(135.5)	-	134.4	(1.1)	-	(1.1)
Balance at 1 January 2018, restated	152.7	12.9	230.4	0.2	7,131.4	7,527.6	86.1	7,613.7
Profit for the year	-	-	-	-	740.7	740.7	9.3	750.0
<u>Other comprehensive income</u>								
Exchange differences arising on translation of overseas entities	-	(5.5)	-	-	-	(5.5)	0.2	(5.3)
Net revaluation losses on equity instruments at fair value through other comprehensive income	-	-	(305.9)	-	-	(305.9)	-	(305.9)
Debt instruments at FVOCI:								
Changes in fair value	-	-	(228.8)	-	-	(228.8)	(2.7)	(231.5)
Changes in allowance for expected credit losses	-	-	(4.7)	-	-	(4.7)	-	(4.7)
Reclassification of realised loss on disposal of investments to Profit or Loss Statement	-	-	5.5	-	-	5.5	-	5.5
Income tax related to the above	-	-	39.3	-	-	39.3	0.1	39.4
Other comprehensive income for the year, after tax	-	(5.5)	(494.6)	-	-	(500.1)	(2.4)	(502.5)
Total comprehensive income for the year	-	(5.5)	(494.6)	-	740.7	240.6	6.9	247.5
Reclassification of net change in fair value of equity instruments upon derecognition	-	-	50.0	-	(50.0)	-	-	-
<u>Distributions to shareholders</u>								
Dividends paid during the year:								
Final and special one-tier tax exempt dividends for the previous year	-	-	-	-	(284.0)	(284.0)	-	(284.0)
Interim one-tier tax exempt dividend	-	-	-	-	(47.3)	(47.3)	-	(47.3)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(8.4)	(8.4)
Total distributions to shareholders	-	-	-	-	(331.3)	(331.3)	(8.4)	(339.7)
Total transactions with shareholders in their capacity as shareholders	-	-	-	-	(331.3)	(331.3)	(8.4)	(339.7)
Balance at 31 December 2018	152.7	7.4	(214.2)	0.2	7,490.8	7,436.9	84.6	7,521.5

(1) Included in Retained Earnings are non-distributable reserves of \$1,970.2 million (31 December 2018: \$2,212.9 million), which arise from regulatory risk charges in Singapore and Malaysia.

6.3. GROUP STATEMENT OF CHANGES IN EQUITY for the fourth quarter ended 31 December 2019

in Singapore Dollars (millions)	Attributable to Shareholders of the Company					Non-Controlling Interests	Total Equity	
	Share Capital	Currency Translation Reserve	Fair Value Reserve	Other Reserve	Accumulated Profit ⁽¹⁾			Total
Balance at 1 October 2019	152.7	9.7	259.6	0.2	7,839.6	8,261.8	90.0	8,351.8
Profit for the period	-	-	-	-	287.0	287.0	4.5	291.5
Other comprehensive income								
Exchange differences arising on translation of overseas entities	-	(1.1)	-	-	-	(1.1)	(0.1)	(1.2)
Net revaluation gains on equity instruments at fair value through other comprehensive income	-	-	65.9	-	-	65.9	-	65.9
Debt instruments at FVOCI:								
Changes in fair value	-	-	4.8	-	-	4.8	-	4.8
Changes in allowance for expected credit losses	-	-	0.8	-	-	0.8	-	0.8
Reclassification of realised gain on disposal of investments to Profit or Loss Statement	-	-	(8.5)	-	-	(8.5)	-	(8.5)
Income tax related to the above	-	-	0.2	-	-	0.2	-	0.2
Other comprehensive income for the period, after tax	-	(1.1)	63.2	-	-	62.1	(0.1)	62.0
Total comprehensive income for the period	-	(1.1)	63.2	-	287.0	349.1	4.4	353.5
Reclassification of net change in fair value of equity instruments upon derecognition	-	-	15.5	-	(15.5)	-	-	-
Changes in ownership interests in subsidiaries								
Acquisition of subsidiary	-	-	-	-	-	-	(0.2)	(0.2)
Disposal of subsidiary	-	(0.2)	-	-	-	(0.2)	(3.3)	(3.5)
Total changes in ownership interests in subsidiaries	-	(0.2)	-	-	-	(0.2)	(3.5)	(3.7)
Total transactions with shareholders in their capacity as shareholders	-	(0.2)	-	-	-	(0.2)	(3.5)	(3.7)
Balance at 31 December 2019	152.7	8.4	338.3	0.2	8,111.1	8,610.7	90.9	8,701.6

6.4. GROUP STATEMENT OF CHANGES IN EQUITY for the fourth quarter ended 31 December 2018

in Singapore Dollars (millions)	Attributable to Shareholders of the Company					Total	Non-Controlling Interests	Total Equity
	Share Capital	Currency Translation Reserve	Fair Value Reserve	Other Reserve	Accumulated Profit ⁽¹⁾			
Balance at 1 October 2018	152.7	9.2	(81.5)	0.2	7,397.2	7,477.8	83.9	7,561.7
Profit for the period	-	-	-	-	136.9	136.9	0.7	137.6
<u>Other comprehensive income</u>								
Exchange differences arising on translation of overseas entities	-	(1.8)	-	-	-	(1.8)	-	(1.8)
Net revaluation losses on equity instruments at fair value through other comprehensive income	-	-	(208.1)	-	-	(208.1)	-	(208.1)
Debt instruments at FVOCI:								
Changes in fair value	-	-	36.5	-	-	36.5	-	36.5
Changes in allowance for expected credit losses	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Reclassification of realised loss on disposal of investments to Profit or Loss Statement	-	-	2.1	-	-	2.1	-	2.1
Income tax related to the above	-	-	(6.3)	-	-	(6.3)	-	(6.3)
Other comprehensive income for the period, after tax	-	(1.8)	(176.0)	-	-	(177.8)	-	(177.8)
Total comprehensive income for the period	-	(1.8)	(176.0)	-	136.9	(40.9)	0.7	(40.2)
Reclassification of net change in fair value of equity instruments upon derecognition	-	-	43.3	-	(43.3)	-	-	-
Balance at 31 December 2018	152.7	7.4	(214.2)	0.2	7,490.8	7,436.9	84.6	7,521.5

(1) Included in Retained Earnings are non-distributable reserves of \$1,970.2 million (31 December 2018: \$2,212.9 million), which arise from regulatory risk charges in Singapore and Malaysia.

7.1 COMPANY STATEMENT OF CHANGES IN EQUITY for the years ended 31 December 2019 and 2018

in Singapore Dollars (millions)	Share Capital	Merger Reserve	Retained Earnings	Total Equity
Balance at 1 January 2019	152.7	419.2	3,014.6	3,586.5
Profit for the year	-	-	607.0	607.0
Total comprehensive income for the year	-	-	607.0	607.0
<u>Distributions to shareholders</u>				
Dividends paid during the year:				
Final one-tier tax exempt dividend for the previous year	-	-	(236.7)	(236.7)
Interim one-tier tax exempt dividend	-	-	(47.3)	(47.3)
Total distributions to shareholders	-	-	(284.0)	(284.0)
Total transactions with shareholders in their capacity as shareholders	-	-	(284.0)	(284.0)
Balance at 31 December 2019	152.7	419.2	3,337.6	3,909.5
Balance at 1 January 2018	152.7	419.2	2,816.2	3,388.1
Profit for the year	-	-	529.7	529.7
Total comprehensive income for the year	-	-	529.7	529.7
<u>Distributions to shareholders</u>				
Dividends paid during the year:				
Final and special one-tier tax exempt dividends for the previous year	-	-	(284.0)	(284.0)
Interim one-tier tax exempt dividend	-	-	(47.3)	(47.3)
Total distributions to shareholders	-	-	(331.3)	(331.3)
Total transactions with shareholders in their capacity as shareholders	-	-	(331.3)	(331.3)
Balance at 31 December 2018	152.7	419.2	3,014.6	3,586.5

7.2 COMPANY STATEMENT OF CHANGES IN EQUITY for the fourth quarter ended 31 December 2019 and 2018

in Singapore Dollars (millions)	Share Capital	Merger Reserve	Retained Earnings	Total Equity
Balance at 1 October 2019	152.7	419.2	3,339.6	3,911.5
Loss for the period	-	-	(2.0)	(2.0)
Total comprehensive income for the period	-	-	(2.0)	(2.0)
Balance at 31 December 2019	152.7	419.2	3,337.6	3,909.5
Balance at 1 October 2018	152.7	419.2	3,015.2	3,587.1
Loss for the period	-	-	(0.6)	(0.6)
Total comprehensive income for the period	-	-	(0.6)	(0.6)
Balance at 31 December 2018	152.7	419.2	3,014.6	3,586.5

8. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

in Singapore Dollars (millions)	Year ended 2019	Year ended 2018	4th Quarter 2019	4th Quarter 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	1,193.5	908.1	347.7	168.2
Adjustments for non-cash items:				
Tax attributable to policyholders' returns	403.8	40.1	106.1	(50.1)
Share of loss of associates	0.3	0.5	0.1	0.2
(Gain)/loss on sale of investments and changes in fair value	(4,601.8)	2,630.8	(922.8)	1,644.7
Gain on disposal of subsidiary	(3.5)	-	(3.5)	-
Increase/(decrease) in provision for impairment of assets	28.5	(40.4)	22.2	(34.0)
Increase in provision for agents' retirement benefits	42.3	27.8	9.5	4.1
Loss/(gain) on disposal of property, plant and equipment	0.1	(1.1)	0.1	-
Depreciation and amortisation expenses	73.5	56.7	22.7	16.6
Unrealised loss/(gain) on exchange differences	37.7	(39.2)	71.0	11.6
Change in insurance contract liabilities	8,553.2	3,188.2	1,851.3	(314.6)
Change in premium liabilities	12.6	11.4	1.0	(1.8)
Amortisation of capitalised transaction fees	0.1	0.1	-	-
Dividend income	(601.5)	(701.0)	(93.8)	(85.4)
Interest income	(2,251.8)	(2,045.2)	(575.8)	(540.5)
Interest expense	18.3	18.3	4.6	4.6
Interest expense on policy benefits and lease liabilities	190.4	173.4	49.9	45.1
Share-based payments	6.3	6.3	1.8	1.7
	3,102.0	4,234.8	892.1	870.4
Changes in working capital:				
Insurance receivables	(203.3)	(86.7)	22.7	(10.4)
Other debtors	(1.1)	545.8	123.4	234.2
Insurance payables	579.2	495.1	146.2	190.3
Other creditors	632.9	(484.9)	254.4	10.5
Cash generated from operations	4,109.7	4,704.1	1,438.8	1,295.0
Income tax paid	(203.0)	(367.2)	(5.2)	(59.8)
Interest paid on policy benefits and lease liabilities	(190.4)	(173.4)	(49.9)	(45.1)
Agents' retirement benefits paid	(23.7)	(26.7)	(5.4)	(5.5)
Net cash flows from operating activities	3,692.6	4,136.8	1,378.3	1,184.6
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturities and sale of investments	34,761.6	26,377.5	9,199.0	7,068.6
Purchase of investments	(40,323.4)	(32,233.6)	(10,364.3)	(6,657.6)
Net cash inflow from acquisition of subsidiary	16.5	-	1.9	-
Net cash inflow from disposal of subsidiary	1.9	-	1.9	-
Proceeds from sale of property, plant and equipment	0.4	6.3	0.1	0.6
Purchase of property, plant and equipment and investment properties	(81.9)	(236.9)	(23.1)	(15.7)
Acquisition of intangible assets	(4.0)	-	(4.0)	-
Interest income received	2,215.9	2,002.7	541.7	511.0
Interest paid on policy	(18.2)	(18.2)	-	-
Dividends received	602.1	720.7	137.5	137.9
Net cash flows (used in)/from investing activities	(2,829.1)	(3,381.5)	(509.3)	1,044.8
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(284.0)	(331.3)	-	-
Dividends paid to non-controlling interests	(10.7)	(8.4)	-	-
Principal element of lease payments	(11.1)	-	(5.5)	-
Net cash flows used in from financing activities	(305.8)	(339.7)	(5.5)	-
Net effect of currency translation reserve adjustment	(46.9)	(75.3)	(82.8)	(53.8)
Net increase in cash and cash equivalents	510.8	340.3	780.7	2,175.6
Cash and cash equivalents at the beginning of the year	5,705.1	5,364.8	5,435.2	3,529.5
Cash and cash equivalents at the end of the year	6,215.9	5,705.1	6,215.9	5,705.1

9. GROUP SEGMENTAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER

9.1 By Business Segments

in Singapore Dollars (millions)	Shareholders		Non-life Insurance		Life Insurance		Adjustments and Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Premiums less reassurances	-	-	201.0	176.1	10,964.9	11,673.5	(1.3)	(0.9)	11,164.6	11,848.7
Commissions received from reinsurers	-	-	32.9	27.6	43.9	44.0	-	-	76.8	71.6
Investment and rental income (Including mark-to-market changes)	400.3	67.9	21.8	17.4	6,932.3	(49.0)	12.9	10.8	7,367.3	47.1
Fees and other income	89.3	89.2	-	-	-	-	(13.1)	(11.7)	76.2	77.5
Change in third-party interests in consolidated investment funds	(10.3)	10.9	-	-	-	-	-	-	(10.3)	10.9
Gain on disposal of subsidiary	3.5	-	-	-	-	-	-	-	3.5	-
(Loss)/gain on exchange differences	(0.3)	2.4	(0.6)	0.7	(36.8)	36.1	-	-	(37.7)	39.2
Total income	482.5	170.4	255.1	221.8	17,904.3	11,704.6	(1.5)	(1.8)	18,640.4	12,095.0
Claims less reassurances	-	-	108.7	86.6	6,404.5	6,265.6	-	-	6,513.2	6,352.2
Commissions and expenses	172.4	78.3	120.4	107.6	1,656.6	1,462.2	(1.5)	(1.8)	1,947.9	1,646.3
Increase/(decrease) in provision for impairment of assets	0.6	(2.1)	-	(0.5)	27.9	(37.8)	-	-	28.5	(40.4)
Change in insurance contract liabilities	-	-	(3.5)	4.8	8,556.7	3,183.4	-	-	8,553.2	3,188.2
Tax attributable to policyholders' returns	-	-	-	-	403.8	40.1	-	-	403.8	40.1
Total expenses	173.0	76.2	225.6	198.5	17,049.5	10,913.5	(1.5)	(1.8)	17,446.6	11,186.4
Profit before share of loss of associates	309.5	94.2	29.5	23.3	854.8	791.1	-	-	1,193.8	908.6
Share of loss after income tax of associates	-	-	-	-	(0.3)	(0.5)	-	-	(0.3)	(0.5)
Profit before income tax	309.5	94.2	29.5	23.3	854.5	790.6	-	-	1,193.5	908.1
Income tax	(24.1)	(17.2)	(3.4)	(4.6)	(143.9)	(136.3)	-	-	(171.4)	(158.1)
Profit after income tax	285.4	77.0	26.1	18.7	710.6	654.3	-	-	1,022.1	750.0

	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18	31 Dec 19	31 Dec 18
Segment assets	9,573.9	8,257.7	833.5	618.2	89,276.0	78,695.7	(3,178.8)	(2,531.3)	96,504.6	85,040.3
Investments in associates	-	-	-	-	1.7	1.7	-	-	1.7	1.7
Total Assets	9,573.9	8,257.7	833.5	618.2	89,277.7	78,697.4	(3,178.8)	(2,531.3)	96,506.3	85,042.0
Segment liabilities	575.2	494.6	832.8	613.9	87,474.5	77,303.5	(3,178.8)	(2,531.3)	85,703.7	75,880.7
Income tax and deferred tax liabilities	311.5	238.3	(3.3)	3.5	1,792.8	1,398.0	-	-	2,101.0	1,639.8
Total Liabilities	886.7	732.9	829.5	617.4	89,267.3	78,701.5	(3,178.8)	(2,531.3)	87,804.7	77,520.5
Additions to non-current assets	13.1	12.1	2.7	2.1	162.6	222.7	-	-	178.4	236.9

9.2 By Geographical Segments

in Singapore Dollars (millions)	Singapore		Malaysia		Other Asia		Adjustments and Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total revenue from external customers	13,226.7	8,709.4	5,130.4	3,195.1	285.0	192.4	(1.7)	(1.9)	18,640.4	12,095.0
Dividend from subsidiaries	225.7	187.0	-	-	-	-	(225.7)	(187.0)	-	-
Total revenue	13,452.4	8,896.4	5,130.4	3,195.1	285.0	192.4	(227.4)	(188.9)	18,640.4	12,095.0
Profit/(loss) after income tax	950.6	606.9	279.4	306.2	10.0	22.6	(217.9)	(185.7)	1,022.1	750.0
<u>As at 31 December:</u>										
Non-current assets	1,953.9	1,828.9	563.2	554.9	8.7	6.0	-	-	2,525.8	2,389.8

10. REVIEW OF RESULTS

The Group Financial Statements for the fourth quarter of 2019 ("Q4-19") and for the year ended 31 December 2019 ("FY-19") were prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") and SFRS(I) Interpretations.

10.1 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's profit attributable to shareholders of \$287.0 million for Q4-19 and \$1,003.8 million for FY-19 increased 110% and 36% compared with the same periods last year (Q4-18: \$136.9 million, FY-18: \$740.7 million).

10.2 GROSS PREMIUMS

Q4-19 gross premiums increased 8% compared with the same period last year to \$3,236.6 million (Q4-18: \$2,996.2 million). FY-19 gross premiums decreased 4% compared with last year to \$11,769.5 million (FY-18: \$12,239.2 million) due to lower Single Premium sales in Singapore.

10.3 INVESTMENT INCOME, NET

Net investment income increased to \$630.0 million for Q4-19 and \$2,712.2 million for FY-19 (Q4-18: \$593.5 million, FY-18: \$2,624.3 million). The increase for FY-19 was mainly due to higher interest income, offset by lower dividend income.

10.4 FEES AND OTHER INCOME

Fees and other income increased to \$19.7 million for Q4-19 (Q4-18: \$19.0 million) and decreased to \$76.2 million for FY-19 (FY-18: \$77.5 million). The increase in Q4-19 was due to higher fee income from the Group's asset management arm, Lion Global Investors Limited.

10.5 GAIN/LOSS ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE

Sale of investments and changes in fair value resulted in a gain of \$922.8 million in Q4-19 and \$4,601.8 million in FY-19 compared with the same periods last year (Q4-18: loss of \$1,644.7 million, FY-18: loss of \$2,630.8 million). The gain was mainly mark-to-market gains from fair value through profit or loss ("FVTPL") assets due to favourable market conditions.

10.6 GAIN/LOSS ON EXCHANGE DIFFERENCES

Exchange differences resulted in a loss of \$71.0 million in Q4-19 and a loss of \$37.7 million in FY-19 (Q4-18: loss of \$11.6 million, FY-18: gain of \$39.2 million). The loss arose mainly from the depreciation of USD against SGD.

10.7 GROSS CLAIMS, SURRENDERS AND ANNUITIES

Gross claims, surrenders and annuities increased to \$1,775.4 million for Q4-19 and \$6,810.9 million for FY-19 (Q4-18: \$1,712.9 million, FY-18: \$6,570.2 million) due to higher gross claims incurred for both life and general insurance.

10.8 COMMISSIONS AND DISTRIBUTION EXPENSES

Commissions and distribution expenses increased to \$357.6 million for Q4-19 and \$1,150.4 million for FY-19 (Q4-18: \$284.7 million, FY-18: \$1,012.0 million), largely due to higher sales of regular premium policies.

10.9 MANAGEMENT AND OTHER EXPENSES

Management and other expenses increased to \$222.7 million for Q4-19 and \$663.4 million for FY-19 (Q4-18: \$154.5 million, FY-18: \$531.5 million) mainly due to higher staff related expenses and professional fees.

10.10 CHANGE IN INSURANCE CONTRACT LIABILITIES

Change in insurance contract liabilities increased to \$1,851.3 million for Q4-19 and \$8,553.2 million for FY-19 (Q4-18: -\$314.6 million, FY-18: \$3,188.2 million) respectively. The higher valuation of insurance contract liabilities was mainly due to the decline in interest rates.

10.11 TAX ATTRIBUTABLE TO POLICYHOLDERS' RETURNS

Tax attributable to policyholders' returns increased to \$106.1 million for Q4-19 and \$403.8 million for FY-19 (Q4-18: -\$50.1 million, FY-18: \$40.1 million) mainly due to higher provision for deferred tax for future policyholders' distribution.

10.12 BALANCE SHEET

10.12.1 Fair Value Reserve

As at 31 December 2019, fair value reserve was \$338.3 million, compared with negative \$214.2 million as at 31 December 2018. The increase in fair value reserve was due to unrealised fair value gains from investments.

10.12.2 Debt Issued

in SGD (millions)	31 December 2019	31 December 2018
Subordinated fixed rate notes (unsecured)		
- payable after one year	399.9	399.8

10.12.3 Investments

Investments increased by 15% to \$82,117.5 million as at 31 December 2019 (31 December 2018: \$71,521.3 million), mainly due to new investments and fair value gains. The split of investment assets was as follows:

	Investments			Total
	FVTPL ⁽¹⁾	FVOCI ⁽²⁾	AC ⁽³⁾	
Par and Unit Linked Fund	61,183.9	17.6	-	61,201.5
Other Funds	10,551.5	10,237.9	126.6	20,916.0
Balance at 31 Dec 2019	71,735.4	10,255.5	126.6	82,117.5

⁽¹⁾ FVTPL - Fair Value Through Profit or Loss

⁽²⁾ FVOCI - Fair Value Through Other Comprehensive Income

⁽³⁾ AC - Amortised Cost

10.12.4 Asset allocation of life funds, excluding Investment-linked Funds, was as follows:

	SINGAPORE		MALAYSIA	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Fixed income & debt securities	67%	65%	61%	65%
Equities	21%	22%	29%	27%
Real estate & others	5%	6%	4%	4%
Cash & money market instruments	7%	7%	6%	4%
Market Value of Assets (in SGD billions)	56.1	48.1	25.1	23.6

10.13 REGULATORY CAPITAL

The Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia remain strong and well above their respective minimum regulatory levels.

11. SHARE CAPITAL

The Company's issued and paid up share capital as at 31 December 2019 was unchanged at \$152.7 million compared with 31 December 2018. Total number of shares issued as at 31 December 2019 also remained unchanged at 473,319,069 compared with 31 December 2018.

12. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2018. The adoption of the new SFRS(I)s and amendments and interpretations of SFRS(I) which came into effect on 1 January 2019 did not have any material financial impact on the Group's results for Q4-19 and FY-19 except for the following:

SFRS(I) 16 Leases

The Group has adopted SFRS(I) 16 effective 1 January 2019. The Group has elected to apply the simplified transition approach without restating prior periods' information. On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of SFRS(I) 1-17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. On adoption, the Group recognised right-of-use assets of \$8.7 million and lease liabilities of \$7.4 million.

13. AUDITED RESULTS

The consolidated Group's financial results for the financial year ended 31 December 2019 were audited by the Group's auditor. The Auditor's Report to the Members of Great Eastern Holdings Limited is appended.

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

The Group's performance may be affected by volatility in global financial markets. Over the longer term, the key indicators to watch are the direction of interest rates, equity prices and foreign exchange rates.

15. OTHER MATTERS

15.1 Rule 920(1) of the Listing Manual

Pursuant to Rule 920(1) of the Listing Manual, GEH has not obtained a general mandate from shareholders for Interested Person Transactions.

15.2 Rule 704(13) of the Listing Manual

As at the financial year ended 31 December 2019, there were no persons occupying a managerial position in GEH or in any of its principal subsidiaries who are relatives of a director, chief executive officer or substantial shareholder of GEH.

15.3 Rule 720(1) of the Listing Manual

Pursuant to Rule 720(1) of the Listing Manual, GEH confirms that it has procured undertakings from all its directors and executive officers.

15.4 Contribution to the National B40 Protection Trust Fund

On 9 November 2018 and 24 January 2019, the Group announced that as part of its corporate social responsibility efforts and in line with the objectives of the Malaysian authorities, the Group has opted to make a contribution of RM2 billion (approximately S\$658 million) to the National B40 Protection Trust Fund in satisfaction and in lieu of the local shareholder requirement imposed on its subsidiary, Great Eastern Life Assurance (Malaysia) Berhad. Subsequent to the financial year end, the Group has received the necessary approval from the relevant authorities and is currently finalizing the details of the contribution.

Issued: 18 February 2020

GREAT EASTERN HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Great Eastern Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the Group's profit or loss statement, statement of comprehensive income and the statement of cash flows, and statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of financial investments and continuous application of SFRS(I) 9

The Group's financial assets comprise mainly debt and equity securities. These instruments are measured at fair value with the corresponding fair value changes recognized in either other comprehensive income or, profit or loss. The valuation is performed by the Group using inputs which have been classified in accordance with the fair value hierarchy stated in SFRS(I) 13, Fair Value Measurement. The fair value hierarchy is disclosed in Note 34.

GREAT EASTERN HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

KEY AUDIT MATTERS (CONTINUED)

Valuation of financial investments and continuous application of SFRS(I) 9 (continued)

The valuation of investments is inherently subjective and exercise of significant judgement in determining fair value is required, particularly for the Level 2 and Level 3 investments since these are valued based on inputs other than observable quoted prices. As such, we determined this to be significant to our audit. As at 31 December 2019, the Level 2 and Level 3 investments amounted to \$24.9 billion and \$2.0 billion respectively.

Our audit procedures, focused on the valuation of these financial investments, included the following, amongst others:

- ▶ assessing the processes and controls relating to valuation of these financial investments, including the methods and assumptions used to value the underlying investments, and their valuations review process;
- ▶ recalculating the valuations using external quotes where available, or with reference to alternative valuation methods used by other market participants on a sample of investments; and
- ▶ ascertaining that investments are properly valued and disclosed in the Group's financial statements in accordance with SFRS(I) 9, SFRS(I) 7 and SFRS(I) 13;

Our audit procedures indicate that the valuation of these investments are reasonable and are in accordance with the requirements of the accounting standards.

Our audit procedures in focusing on the continuous application of SFRS(I) 9 included the following, amongst others:

Classification and Measurement ("C&M")

- ▶ assessing the Group's SFRS(I) 9 C&M methodology and accounting policies including its tests relating to (1) business model, - the Group's consideration for asset type, duration to maturity and portfolio management, and (2) solely payments of principal and interest ("SPPI") - how the Group determines the contractual cashflows of the financial assets, for consistency with SFRS(I) 9 requirements.

Impairment

- ▶ assessing the Group's expected credit loss ("ECL") methodology including but not limited to the Group's key inputs- historical losses and various forward-looking assumptions to evaluate whether this is consistent with SFRS(I) 9 requirements; and
- ▶ evaluating the design of the ECL model based on the approved ECL methodology, including the model build, approval process, ongoing monitoring, validation, model governance as well as arithmetic accuracy.

We also assessed whether the related disclosures comply with the relevant SFRS(I) disclosure requirements, including valuation sensitivity analysis and fair value hierarchy. The Group's disclosures related to financial investments are included in Note 2.17 (Financial assets), Note 2.20 (Determination of fair value of financial instruments) and Note 34 (Fair value of assets and liabilities). Our audit procedures on the disclosures showed that they were in compliance with the relevant disclosure requirements.

GREAT EASTERN HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REPORT
To the Members of Great Eastern Holdings Limited

KEY AUDIT MATTERS (CONTINUED)

Valuation of life insurance contract liabilities

As at 31 December 2019, the Group has \$72.1 billion of life insurance contract liabilities, which represents 82.1% of the Group's total liabilities. The valuation of life insurance contract liabilities involves significant judgement over uncertain future outcomes, including primarily the timing and occurrence of ultimate full settlement of life insurance contract liabilities. The Company uses valuation models and assumptions to support the calculations of the life insurance contract liabilities.

The complexity of the models may give rise to inaccurate calculations as a result of inappropriate and incomplete data, or assumptions used or inappropriate design or application of the models. Economic assumptions such as investment return and interest rates, and non-economic assumptions such as mortality, morbidity, expenses, policyholders' behavior and claims experience are some of the key inputs used to estimate these life insurance contract liabilities. Changes in assumptions used may result in material impact to the valuation of these life insurance contract liabilities. In addition to analyzing historical experiences, significant management judgement is also involved in setting these assumptions.

We used internal actuarial specialists to assist us in performing the following procedures. Our audit procedures included, amongst others:

- ▶ assessing the processes and tested specialist controls relating to the actuarial valuation process, including management's determination and approval process for setting of economic and non-economic actuarial assumptions;
- ▶ assessing the appropriateness of the actuarial valuation methodologies and assumptions used by the management against regulatory requirements and industry practices, where applicable;
- ▶ comparing assumptions used by management against the Group's experiences and market observable data, where applicable;
- ▶ assessing whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from the Group's or market experience;
- ▶ reviewing reasonableness of the actuarial reserves being set up by performing an analytical review on the results; and
- ▶ reviewing a selection of the Group's independent testing of actuarial models used for reserve calculations, comparing assumptions used by management against the Group's experiences and market observable data, where applicable.

Based on the work performed, we considered the valuation methodologies and the assumptions used to be appropriate.

We also considered whether the disclosures in relation to life insurance contract liabilities comply with the relevant SFRS(I) disclosure requirements. The Group's disclosures related to life insurance liabilities are included in Note 2.9.3 (Life insurance contract liabilities), Note 2.29.1 (a) (Critical accounting estimates and assumptions on liabilities of insurance business), Note 15.1 (Life insurance contracts) and Note 33 (Insurance risk). Our audit procedures on the disclosures showed that they were in accordance with the relevant disclosure requirements.

GREAT EASTERN HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REPORT
To the Members of Great Eastern Holdings Limited

KEY AUDIT MATTERS (CONTINUED)

Valuation of non-life insurance contract liabilities

As at 31 December 2019, the Group has \$263.5 million of non-life insurance contract liabilities, which represents 0.3% of the Group's total liabilities. Non-life insurance contract liabilities, which include the Group's loss reserves and unexpired risk reserve, are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Estimates are 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 (IBNR) at the balance sheet date.

The estimation of non-life insurance contract liabilities are sensitive to various factors and uncertainties. Significant management judgement is applied in setting these assumptions.

We used internal actuarial specialists to assist us in performing the following procedures. Our audit procedures included, amongst others:

- ▶ comparing the actuarial valuation methodologies and assumptions used by the management with industry data, and against recognized actuarial practices;
- ▶ reviewing the assumptions used by the Certifying Actuary and rationale for conclusions made thereon;
- ▶ assessing consistency of valuation methodologies applied against prior years;
- ▶ assessing whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience; and
- ▶ performing independent analysis and re-computation of the non-life insurance contract liabilities of selected classes of business. We focused on the largest and most uncertain reserves. We compared our independent analysis to those performed by the management and enquired with management significant differences noted, if any.

Based on the work performed, we considered the methodology and assumptions used by management to be appropriate.

We considered whether the disclosures in relation to non-life insurance contract liabilities comply with the relevant disclosure requirements. The Group's disclosures related to non-life insurance liabilities are included in 2.9.4 (Non-life insurance contract liabilities), Note 2.29.1 (a) (Critical accounting estimates and assumptions on liabilities of insurance business), Note 15.2 (Non-life insurance contracts) and Note 33 (Insurance Risk). Our audit procedures on the disclosures noted that they were in compliance with the relevant requirements.

Valuation of provision for current and deferred tax and tax compliance

As at 31 December 2019, the Group has recognized provision for tax and deferred tax liabilities of \$558.0 million and \$1,543.0 million respectively. The taxation rules and regulations governing the insurance industry are complex and evolving. There are many transactions and calculations for which the ultimate tax determination is uncertain as it involved significant management judgment in determining the deductibility of certain expenses during the estimation of provision for income taxes. The final tax outcome for open years of assessment may therefore be different from the amounts that were initially recorded and result in either tax refunds, write-backs of tax provisions or further taxes to be imposed. As such, the valuation of the income tax is significant to our audit.

GREAT EASTERN HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REPORT
To the Members of Great Eastern Holdings Limited

KEY AUDIT MATTERS (CONTINUED)

Valuation of provision for current and deferred tax and tax compliance (continued)

Our audit procedures included, amongst others:

- ▶ involving our internal tax experts in assessing the veracity of the bases used to determine the tax positions. We corroborated these bases with supporting evidence, historical accuracy of management's assumptions used and estimation process;
- ▶ reviewing correspondences with the tax authorities to identify potential tax exposures, including identifying uncertain tax positions and resolution of outstanding tax matters; and
- ▶ assessing the adequacy of the Group's disclosures on provision for tax and deferred tax

Based on the work performed and assistance from our internal tax experts, we consider that the Group's provision for tax and deferred tax are appropriately accounted for in accordance with the requirements of the accounting standards.

The Group's disclosures related to provision for tax, and deferred taxation are included in Note 2.11 (Taxes), Note 8 (Income tax). Our audit procedures on the disclosures noted that they were in accordance with the relevant SFRS(I) disclosure requirements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises of information included in the annual report other than the financial statements and our auditor's report thereon. We obtained all the other information prior to the date of our auditor's report except for the Key Figures, Key Executives, Financial Highlights, Embedded Value, Human Capital, Corporate Governance Report, Additional Information, Shareholding Statistics and Sustainability report, collectively, "Other Reports", which are expected to be made available to us after the date of our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

GREAT EASTERN HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS 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 Act and SFRS(l)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

GREAT EASTERN HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Shekaran K Krishnan.



Ernst & Young LLP

Public Accountants and

Chartered Accountants

Singapore

18 February 2020