

# 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 First Quarter Ended 31 March 2011**

For the quarter ended 31 March 2011, Group profit attributable to shareholders was S\$158.7 million. Details of the financial results are attached.

### **Dividend**

No interim dividend has been declared in the first quarter of 2011 (first quarter 2010: nil).

### **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 first quarter ended 31 March 2011 to be false or misleading in any material aspect.

By Order of the Board

Jennifer Wong Pakshong  
Group Company Secretary  
Singapore, 4 May 2011

*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 FIRST QUARTER 2011**

**1. GROUP PROFIT AND LOSS STATEMENTS**

in Singapore Dollars (millions)	1st Quarter 2011	1st Quarter 2010	% + / (-)	4th Quarter 2010	% + / (-)
<b>Gross Premiums</b>	<b>1,461.9</b>	1,343.0	9	1,784.2	(18)
Life assurance profit from:					
Participating Fund	<b>30.7</b>	22.9	34	32.6	(6)
Non-participating Fund	<b>92.0</b>	99.0	(7)	16.0	nm
Investment-linked Fund	<b>27.1</b>	24.4	11	17.5	55
<b>Profit from life assurance</b>	<b>149.8</b>	146.3	2	66.1	127
Profit from general insurance	<b>5.9</b>	5.6	5	7.8	(24)
<b>Profit from insurance operations</b>	<b>155.7</b>	151.9	3	73.9	111
Investment income, net	<b>25.3</b>	28.1	(10)	18.7	35
(Loss)/gain on sale of investments and changes in fair value	<b>(0.5)</b>	19.3	nm	31.3	nm
Decrease in provision for impairment of assets	-	(2.2)	(100)	-	nm
Gain/(loss) on exchange differences	<b>0.8</b>	2.0	(60)	(2.2)	nm
<b>Profit from investments in Shareholders' Fund</b>	<b>25.6</b>	47.2	(46)	47.8	(46)
<b>Fees and other income</b>	<b>17.1</b>	16.9	1	17.5	(2)
<b>Profit before expenses</b>	<b>198.4</b>	216.0	(8)	139.2	43
less:					
Management and other expenses	<b>14.9</b>	12.5	19	26.0	(43)
Interest expense	<b>4.6</b>	-	nm	-	nm
Depreciation	<b>0.3</b>	0.4	(25)	0.5	(40)
<b>Expenses</b>	<b>19.8</b>	12.9	53	26.5	(25)
<b>Profit after expenses</b>	<b>178.6</b>	203.1	(12)	112.7	58
Share of loss after income tax of associates	-	(0.3)	(100)	-	nm
Share of profit/(loss) after income tax of joint ventures	<b>0.7</b>	(1.6)	nm	(0.7)	nm
<b>Profit before income tax</b>	<b>179.3</b>	201.2	(11)	112.0	60
Income tax	<b>(18.1)</b>	(19.4)	nm	(25.5)	nm
<b>Profit after income tax</b>	<b>161.2</b>	181.8	(11)	86.5	86
<b>Attributable to:</b>					
<b>Shareholders</b>	<b>158.7</b>	179.1	(11)	85.1	86
<b>Non-controlling interests</b>	<b>2.5</b>	2.7	(7)	1.4	79
	<b>161.2</b>	181.8	(11)	86.5	86
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)	<b>0.34</b>	0.38	(11)	0.18	89
Return on Equity (Average Shareholders' Fund) (%) (not annualised)	<b>3.9%</b>	4.8%	-0.9 pp	2.2%	1.7 pp

nm – not meaningful / exceeding 300%

## 2. GROUP STATEMENT OF COMPREHENSIVE INCOME

in Singapore Dollars (millions)	1st Quarter 2011	1st Quarter 2010	% + / (-)	4th Quarter 2010	% + / (-)
<b>Profit after income tax for the period</b>	<b>161.2</b>	181.8	(11)	86.5	86
<b>Other comprehensive income:</b>					
Exchange differences arising on translation of overseas entities	(4.4)	27.7	nm	(12.3)	nm
Share of currency translation reserves of associates and joint ventures	(0.9)	0.1	nm	(1.0)	nm
Available-for-sale financial assets:					
Changes in fair value	(12.5)	50.7	nm	(3.7)	nm
Reclassification of realised loss/(gain) on disposal and impairment to Profit and Loss Statement	2.0	6.1	(67)	(2.3)	nm
Tax on changes in fair value	2.0	(10.3)	nm	1.0	100
<b>Other comprehensive income for the period, after tax</b>	<b>(13.8)</b>	74.3	nm	(18.3)	nm
<b>Total comprehensive income for the period</b>	<b>147.4</b>	256.1	(42)	68.2	116
<b>Total comprehensive income attributable to:</b>					
<b>Shareholders</b>	<b>145.2</b>	253.1	(43)	66.6	118
<b>Non-controlling interests</b>	<b>2.2</b>	3.0	(27)	1.6	38
	<b>147.4</b>	256.1	(42)	68.2	116

nm – not meaningful / exceeding 300%

### 3. BALANCE SHEET – GROUP

	<b>Group</b>		
in Singapore Dollars (millions)	<b>31 Mar 11</b>	31 Dec 10	% + / (-)
<b>Share capital</b>	<b>247.4</b>	247.4	-
<b>Reserves</b>			
Currency translation reserve	<b>(37.6)</b>	(32.3)	nm
Fair value reserve	<b>217.1</b>	225.3	(4)
Accumulated profit	<b>3,742.3</b>	3,583.6	4
<b>SHAREHOLDERS' FUND</b>	<b>4,169.2</b>	4,024.0	4
<b>NON-CONTROLLING INTERESTS</b>	<b>33.4</b>	35.0	(5)
<b>TOTAL EQUITY</b>	<b>4,202.6</b>	4,059.0	4
<b>LIABILITIES</b>			
Insurance payables	<b>2,401.0</b>	2,372.6	1
Other creditors and interfund balances	<b>2,297.4</b>	1,892.1	21
Unexpired risk reserve	<b>113.1</b>	97.1	16
Derivative financial liabilities	<b>20.3</b>	25.9	(22)
Income tax	<b>389.8</b>	382.2	2
Provision for agents' retirement benefits	<b>221.1</b>	216.2	2
Amount due to joint venture	<b>0.3</b>	0.3	-
Deferred tax	<b>967.8</b>	949.8	2
Debts issued	<b>399.0</b>	-	nm
General insurance fund	<b>168.4</b>	109.9	53
Life assurance fund	<b>43,800.9</b>	43,267.9	1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>54,981.7</b>	53,373.0	3
<b>ASSETS</b>			
Cash and cash equivalents	<b>5,022.7</b>	2,830.4	77
Other debtors and interfund balances	<b>1,969.0</b>	1,788.7	10
Insurance receivables	<b>2,525.3</b>	2,519.3	0
Loans	<b>1,512.6</b>	1,579.7	(4)
Derivative financial assets	<b>573.9</b>	523.1	10
Investments	<b>40,929.4</b>	41,693.0	(2)
Associates and joint ventures	<b>330.7</b>	337.2	(2)
Goodwill	<b>24.9</b>	18.7	33
Investment properties	<b>1,364.2</b>	1,355.4	1
Property, plant and equipment	<b>729.0</b>	727.5	0
<b>TOTAL ASSETS</b>	<b>54,981.7</b>	53,373.0	3
Net Asset Value per share (in Singapore Dollars)	<b>8.81</b>	8.50	4

For analysis of major variances, please refer to section 9.10 on page 10.

*nm – not meaningful / exceeding 300%*

#### 4. BALANCE SHEET – COMPANY

in Singapore Dollars (millions)	Company		
	31 Mar 11	31 Dec 10	% +/(–)
<b>Share capital</b>	<b>247.4</b>	247.4	-
<b>Reserves</b>			
Merger reserve	<b>419.2</b>	419.2	-
Accumulated profit	<b>848.0</b>	843.5	1
<b>TOTAL EQUITY</b>	<b>1,514.6</b>	1,510.1	0
<b>LIABILITIES</b>			
Other creditors and interfund balances	<b>8.7</b>	7.1	23
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,523.3</b>	1,517.2	0
<b>ASSETS</b>			
Cash and cash equivalents	<b>17.9</b>	8.8	103
Income tax	<b>0.7</b>	0.8	(13)
Amounts due from subsidiaries	<b>827.2</b>	830.1	(0)
Subsidiaries	<b>677.3</b>	677.3	-
Property, plant and equipment	<b>0.2</b>	0.2	-
<b>TOTAL ASSETS</b>	<b>1,523.3</b>	1,517.2	0
Net Asset Value per share (in Singapore Dollars)	<b>3.20</b>	3.19	0

#### 5. SELECTED MANAGEMENT EXPENSES

in Singapore Dollars (millions)	Shareholders' and General Insurance Funds		
	1st Quarter 2011	1st Quarter 2010	4th Quarter 2010
1 Directors' remuneration			
Directors of the Company	<b>1.0</b>	0.3	1.1
Directors of subsidiaries	-	-	2.5
2 Staff costs and related expenses (including executive directors and key management personnel compensation)	<b>20.0</b>	14.8	15.9
3 Rental expense	<b>1.5</b>	1.2	1.0
4 Depreciation	<b>0.5</b>	0.5	0.6
in Singapore Dollars (millions)	Life Assurance Fund		
	1st Quarter 2011	1st Quarter 2010	4th Quarter 2010
1 Directors' remuneration			
Directors of the Company	<b>0.2</b>	0.4	0.1
Directors of subsidiaries	-	-	1.9
2 Staff costs and related expenses (including executive directors and key management personnel compensation)	<b>33.1</b>	30.5	33.4
3 Rental expense	<b>3.3</b>	4.0	4.7
4 Depreciation	<b>10.9</b>	10.7	13.0

## 6. GROUP STATEMENT OF CHANGES IN EQUITY for the period ended 31 March

in Singapore Dollars (millions)	Attributable to Shareholders of the Company				Total	Non-Controlling Interests	Total Equity
	Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit <sup>(1)</sup>			
Balance at 1 January 2011	247.4	(32.3)	225.3	3,583.6	4,024.0	35.0	4,059.0
Profit for the period	-	-	-	158.7	158.7	2.5	161.2
<b>Other comprehensive income</b>							
Exchange differences arising on translation of overseas entities	-	(4.4)	-	-	(4.4)	-	(4.4)
Share of currency translation reserves of associates and joint ventures	-	(0.9)	-	-	(0.9)	-	(0.9)
Available-for-sale financial assets:							
Changes in fair value	-	-	(12.1)	-	(12.1)	(0.4)	(12.5)
Reclassification of realised loss on disposal and impairment to Profit and Loss Statement	-	-	2.0	-	2.0	-	2.0
Tax on changes in fair value	-	-	1.9	-	1.9	0.1	2.0
Other comprehensive income for the period, after tax	-	(5.3)	(8.2)	-	(13.5)	(0.3)	(13.8)
Total comprehensive income for the period	-	(5.3)	(8.2)	158.7	145.2	2.2	147.4
<b>Contributions by and distributions to shareholders</b>							
Dividends paid to non-controlling interests	-	-	-	-	-	(3.8)	(3.8)
Total contributions by and distributions to shareholders	-	-	-	-	-	(3.8)	(3.8)
Total transactions with shareholders in their capacity as shareholders	-	-	-	-	-	(3.8)	(3.8)
Balance at 31 March 2011	247.4	(37.6)	217.1	3,742.3	4,169.2	33.4	4,202.6

## 6. GROUP STATEMENT OF CHANGES IN EQUITY for the period ended 31 March

in Singapore Dollars (millions)	Attributable to Shareholders of the Company				Total	Non-Controlling Interests	Total Equity
	Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit <sup>(1)</sup>			
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 period	-	-	-	179.1	179.1	2.7	181.8
<b>Other comprehensive income</b>							
Exchange differences arising on translation of overseas entities	-	27.7	-	-	27.7	-	27.7
Share of currency translation reserves of associates and joint ventures	-	0.1	-	-	0.1	-	0.1
Available-for-sale financial assets:							
Changes in fair value	-	-	50.4	-	50.4	0.3	50.7
Reclassification of realised loss on disposal and impairment to Profit and Loss Statement	-	-	6.1	-	6.1	-	6.1
Tax on changes in fair value	-	-	(10.3)	-	(10.3)	-	(10.3)
Other comprehensive income for the period, after tax	-	27.8	46.2	-	74.0	0.3	74.3
Total comprehensive income for the period	-	27.8	46.2	179.1	253.1	3.0	256.1
<b>Contributions by and distributions to shareholders</b>							
Dividends paid to non-controlling interests	-	-	-	-	-	(4.2)	(4.2)
Total contributions by and distributions to shareholders	-	-	-	-	-	(4.2)	(4.2)
Total transactions with shareholders in their capacity as shareholders	-	-	-	-	-	(4.2)	(4.2)
Balance at 31 March 2010	247.4	(10.2)	113.7	3,468.5	3,819.4	25.5	3,844.9

(1) Included in Accumulated Profit are non-distributable reserves of \$972.8 million (31 Mar 2010: \$872.0 million), which arise from regulatory risk charges in Singapore and Malaysia that are held out of the Group Shareholders' Accumulated Profit Account.

## 7. COMPANY STATEMENT OF CHANGES IN EQUITY for the period ended 31 March

in Singapore Dollars (millions)	Share Capital	Merger Reserve	Accumulated Profit	Total Equity
<b>Balance at 1 January 2011</b>	<b>247.4</b>	<b>419.2</b>	<b>843.5</b>	<b>1,510.1</b>
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>4.5</b>	<b>4.5</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>4.5</b>	<b>4.5</b>
<b>Balance at 31 March 2011</b>	<b>247.4</b>	<b>419.2</b>	<b>848.0</b>	<b>1,514.6</b>
Balance at 1 January 2010	247.4	419.2	653.6	1,320.2
Profit for the period	-	-	8.3	8.3
Total comprehensive income for the period	-	-	8.3	8.3
Balance at 31 March 2010	247.4	419.2	661.9	1,328.5

## 8. CONSOLIDATED STATEMENT OF CASH FLOWS

in Singapore Dollars (millions)	1st Quarter 2011	1st Quarter 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	179.3	201.2
Life assurance profit before income tax	251.2	35.1
General insurance profit before income tax	7.4	5.2
Adjustments for non-cash items:		
Surplus transferred from life assurance fund but not yet withdrawn	(149.8)	(146.3)
Profit transferred from general insurance fund but not yet withdrawn	(5.9)	(5.6)
Share of loss/(profit) of associates and joint ventures	3.1	(16.2)
Gain on sale of investments and changes in fair value	(204.6)	(148.6)
(Decrease)/increase in provision for impairment of assets	(11.9)	7.2
Increase in provision for agents' retirement benefits	7.8	8.8
Depreciation	11.4	11.2
Unrealised loss on exchange differences	4.0	27.7
Change in life assurance contract liabilities	485.5	745.4
Change in general insurance contract liabilities	0.6	11.3
Change in unexpired risk reserve	8.7	8.8
Dividend income	(94.8)	(72.9)
Interest income	(351.7)	(350.9)
Interest expense	4.6	-
Interest expense on policy benefits	21.8	19.9
Share-based payments	1.3	1.3
	<b>168.0</b>	<b>342.6</b>
Changes in working capital:		
Insurance receivables	0.7	(85.4)
Other debtors and interfund balances	(180.7)	(283.8)
Insurance payables	28.4	89.7
Other creditors and interfund balances	388.9	211.2
Cash generated from operations	<b>405.3</b>	<b>274.3</b>
Income tax paid	(51.8)	(35.9)
Interest paid on policy benefits	(21.8)	(19.9)
Agents' retirement benefits paid	(2.4)	(2.3)
<b>Net cash flows from operating activities</b>	<b>329.3</b>	<b>216.2</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	3,304.5	2,839.5
Purchase of investments	(2,232.4)	(4,426.4)
Proceeds from reduction of interests in associates	-	28.4
Repayment of loans by joint ventures	-	6.1
Purchase of property, plant and equipment and investment properties	(7.9)	(5.7)
Net cash inflow from acquisition of a business	8.7	-
Interest income received	344.7	338.9
Dividends received	87.7	115.5
<b>Net cash flows from/(used in) investing activities</b>	<b>1,505.3</b>	<b>(1,103.7)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to non-controlling interests	(3.8)	(4.2)
Proceeds from debts issued	399.0	-
<b>Net cash flows from/(used in) financing activities</b>	<b>395.2</b>	<b>(4.2)</b>
<b>Net effect of currency translation reserve adjustment</b>	<b>(37.5)</b>	<b>732.8</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,192.3</b>	<b>(158.9)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,830.4</b>	<b>3,215.9</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5,022.7</b>	<b>3,057.0</b>



## 9. REVIEW OF RESULTS

The Group Financial Statements for the first quarter of 2011 (Q1-11) 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 was \$158.7 million in Q1-11, underpinned by strong underwriting performance and broad-based sales growth across markets. Net profit registered an increase of 86% against \$85.1 million in Q4-10, but was down 11% compared with \$179.1 million in Q1-10 which had benefited from a strong recovery of global financial markets.

### 9.2 GROSS PREMIUMS

Q1-11 gross premiums increased 9% year-on-year to \$1,461.9 million (Q1-10: \$1,343.0 million).

### 9.3 NEW SALES

9.3.1 In Q1-11, total weighted new sales for the Group increased 33% to \$176.5 million (Q1-10: \$133.2 million). In Singapore, the 59% rise in new regular premium sales was attributed mainly to the bancassurance channel. In Malaysia, total weighted new sales rose 24% to \$55.8 million (Q1-10: \$45.0 million), mainly from the promotion of regular premium, investment-linked products by the agency force. In Indonesia, total weighted new sales posted a two-fold increase, reflecting the continued success of our initiatives to increase the size and productivity of the agency force.

in SGD (million)	Q1-11	Q1-10	+ / (-)	Q4-10	+ / (-)
<b>SINGAPORE</b>					
Single Premium	<b>371.8</b>	366.1	2%	478.7	-22%
New Regular Premium	<b>70.9</b>	44.7	59%	75.5	-6%
Total Weighted New Sales	<b>108.1</b>	81.3	33%	123.4	-12%
<b>MALAYSIA</b>					
Single Premium	<b>28.7</b>	20.0	44%	39.2	-27%
New Regular Premium	<b>53.0</b>	43.0	23%	91.4	-42%
Total Weighted New Sales	<b>55.8</b>	45.0	24%	95.3	-41%
<b>EMERGING MARKETS</b>					
Single Premium	<b>32.8</b>	32.0	2%	42.4	-23%
New Regular Premium	<b>9.3</b>	3.7	151%	14.9	-38%
Total Weighted New Sales	<b>12.6</b>	6.9	83%	19.2	-34%
<b>TOTAL</b>					
Single Premium	<b>433.3</b>	418.1	4%	560.3	-23%
New Regular Premium	<b>133.2</b>	91.4	46%	181.8	-27%
Total Weighted New Sales	<b>176.5</b>	133.2	33%	237.9	-26%

Note: a) Total Weighted New Sales = (Single Premium x 10%) + New Regular Premium  
b) Premiums from Malaysia and Emerging Markets are converted using 2011 quarter-end and 2010 year-end exchange rates.  
c) Emerging Markets include premiums from Brunei, 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)	Q1-11	Q1-10	+ / (-)	Q4-10	+ / (-)
Singapore	39.5	33.6	18%	58.2	-32%
Malaysia	32.1	22.3	44%	39.4	-19%
Emerging Markets	3.0	1.7	76%	4.7	-36%
Total	74.6	57.6	30%	102.3	-27%

Note: Emerging Markets include embedded value of Brunei, Indonesia, Vietnam and China. China results reflect the Group's share of 50% in the joint venture.

In Q1-11, NBEV grew strongly across markets by 30% to \$74.6 million. The steady year-on-year growth in NBEV over the past few quarters demonstrates the increasing economic profitability of Great Eastern's new business, achieved through the strategy of promoting higher sales of regular premium and protection products in response to market demand.

### 9.4 **PROFIT FROM INSURANCE OPERATIONS**

Q1-11 profit from insurance operations was \$155.7 million, a 3% increase compared with the same period last year (Q1-10: \$151.9 million). The strong underwriting performance in Q1-11 compensated for the lower investment profit. Compared with early 2010, the investment climate during the quarter was weaker, as a combination of economic uncertainties in the developed economies, political turmoil in the Middle East, and the recent natural catastrophe in Japan together gave rise to credit concerns and a softer equity market. This led to unrealised mark-to-market losses in asset valuations, affecting investment performance.

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

Profit from investments in Shareholders' Fund came in 46% lower at \$25.6 million (Q1-10: \$47.2 million), as the fair values of held-for-trading investments remained relatively unchanged during the quarter. This stood in contrast to the larger fair value gains recognised for the same period last year, which had been driven by the recovery of the global financial markets.

### 9.6 **FEES AND OTHER INCOME**

In Q1-11, fees and other income amounted to \$17.1 million, on par with the corresponding period last year (Q1-10: \$16.9 million). Fees and other income were mainly contributed by the asset management arm of the Group, Lion Global Investors Limited.

### 9.7 **MANAGEMENT AND OTHER EXPENSES**

In Q1-11, management and other expenses were \$14.9 million, a year-on-year increase of 19% over the same period in 2010 (Q1-10: \$12.5 million). This was due to the increases in headcount and staffing costs.

### 9.8 **INTEREST EXPENSE**

Interest expense was accrued on the subordinated fixed rate notes ("Notes") issued by one of the Group's subsidiaries on 19 January 2011. The Notes bear interest at the rate of 4.6% per annum, payable semi-annually in arrears. Refer to 9.10.5 for more details.

### 9.9 **SHARE OF PROFIT / LOSS OF ASSOCIATES AND JOINT VENTURES**

In Q1-11, the share of profit of associates and joint ventures of \$0.7 million was higher than the loss of \$1.9 million incurred in Q1-10. The operations in China registered profit in Q1-11 due to a change in the accounting standards in China relating to reserve requirements.

## 9.10 BALANCE SHEET

- 9.10.1 Currency Translation Reserve  
As at 31 March 2011, translation loss was \$37.6 million, compared with \$32.3 million as at 31 December 2010. This was mainly due to the weakening of the Malaysian Ringgit against the Singapore Dollar.
- 9.10.2 Other Creditors, Debtors and Interfund Balances  
Other creditors and interfund balances increased by 21% to \$2,297.4 million as at 31 March 2011 (31 December 2010: \$1,892.1 million); other debtors and interfund balances increased by 10% to \$1,969.0 million as at 31 March 2011 (31 December 2010: \$1,788.7 million), mainly due to timing differences in investment trades.
- 9.10.3 Unexpired Risk Reserve and General Insurance Fund  
On 1 January 2011, one of the Group's subsidiaries acquired the assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad ("Tahan Insurance"). The increase in the Unexpired Risk Reserve and General Insurance Fund represents the policy liabilities of Tahan Insurance that were assumed.
- 9.10.4 Derivative Financial Liabilities and Assets  
Derivative financial liabilities decreased 22% to \$20.3 million as at 31 March 2011 (31 December 2010: \$25.9 million); derivative financial assets increased 10% to \$573.9 million (31 December 2010: \$523.1 million). The net change in derivative financial liabilities and assets was mainly due to mark-to-market gains from currency swaps as a result of the appreciation of the Singapore Dollar against the United States Dollar.
- 9.10.5 Debts Issued  
On 19 January 2011, one of the Group's subsidiaries issued the Notes due 2026 and callable in 2021. The Notes and directly attributable transaction costs are measured at amortised cost using the effective interest method.
- 9.10.6 Cash and Cash Equivalents  
As at 31 March 2011, cash and cash equivalents increased by 77% to \$5,022.7 million from \$2,830.4 million as at 31 December 2010, mainly due to cash proceeds received from issuance of debt as well as sales of investments.
- 9.10.7 Goodwill  
The increase in goodwill arose from the acquisition of the general insurance business as mentioned in 9.10.3 above. The fair value of the assets acquired, liabilities assumed and goodwill have been assessed on a provisional basis and will be finalised within 12 months from the acquisition date.
- 9.10.8 Investments  
As at 31 March 2011, the valuation of investments decreased 2% to \$40,929.4 million from \$41,693.0 million as at 31 December 2010 from mark-to-market changes. 75% of the decrease was from the Participating Fund and 10% was from the Investment-Linked Fund.
- 9.10.9 Asset allocation of life funds, excluding Investment-Linked Funds, was as follows:

	SINGAPORE		MALAYSIA	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Fixed income & debt securities	55%	58%	68%	71%
Equities	22%	23%	25%	24%
Real estate & others	11%	11%	4%	4%
Cash & money market instruments	12%	8%	3%	1%
Market Value of Assets (in SGD billion)	25.6	25.2	19.4	19.1

**9.11 CONSOLIDATED STATEMENT OF CASH FLOWS**

Net cash flow from financing activities was \$395.2 million in Q1-11, compared with net cash flow used in financing activities of \$4.2 million in Q1-10, mainly due to proceeds received from the issuance of the Notes as mentioned in 9.10.5 above.

**9.12 REGULATORY CAPITAL**

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. In the emerging markets, the insurance subsidiaries of the Group have complied with the capital ratios prescribed by the insurance regulations of the respective jurisdictions.

**10. SHARE CAPITAL**

The Company's issued and paid up share capital amounted to \$247.4 million as at 31 March 2011, the same as 31 December 2010. Total number of shares issued as at 31 March 2011 was 473,319,069, the same as 31 December 2010.

**11. ACCOUNTING POLICIES**

The Group adopted the accounting policies and methods of computation for the financial statements for Q1-11, consistent with the audited financial statements for the year ended 31 December 2010.

The adoption of the other revised and new FRS and INT FRS which came into effect on 1 January 2011 does not have any material financial impact on the Group's results for FY-11.

**12. UNAUDITED RESULTS**

The consolidated Group's financial results for the first quarter ended 31 March 2011 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 continuing volatility in the financial markets arising from concerns relating to inflationary pressures which could lead to rising interest rates, especially in Asia, and the ongoing global economic uncertainties.

**14. SUBSEQUENT EVENTS**

At the Extraordinary General Meeting held on 14 April 2011, the Company's Shareholders approved 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 Capital Reduction and Cash Distribution will not result in a change in the number of Shares.

Issued: 4 May 2011