

FIRST QUARTER 2005 FINANCIAL RESULTS

The Board of Directors of Great Eastern Holdings Limited is pleased to announce the unaudited financial results of the Group and the Company for the first quarter ended 31 March 2005:

1 GROUP PROFIT AND LOSS STATEMENTS for the first quarter ended 31 March

| in Singapore Dollars (millions) | 1st Qtr 2005 | 1st Qtr 2004 | % +/(-) |
|---|-----------------|-----------------|-------------|
| Turnover ^(1.1) | 1,545.6 | 1,967.3 | (21) |
| Gross Premiums | 1,042.2 | 1,284.4 | (19) |
| Life assurance profit from: | | | |
| Participating Fund | 22.1 | 21.2 | 4 |
| Non-participating Fund | 52.0 | 46.4 | 12 |
| Investment-linked Fund | 12.9 | 8.8 | 47 |
| Profit from life assurance | 87.0 | 76.4 | 14 |
| Profit from general insurance | 5.7 | 11.3 | (50) |
| Profit from insurance operations | 92.7 | 87.7 | 6 |
| Investment income, net | 11.2 | 11.3 | (1) |
| Interest income | 3.5 | 1.7 | 106 |
| Gain on sale of investments and changes in fair value | 4.3 | 13.5 | (68) |
| Exchange differences | (3.0) | (2.2) | (36) |
| Profit from investments | 16.0 | 24.3 | (34) |
| Fees and other income | 8.9 | 8.1 | 10 |
| Profit before expenses | 117.6 | 120.1 | (2) |
| <i>less:</i> | | | |
| Management and other expenses | 4.5 | 2.7 | 67 |
| Depreciation and amortisation | 0.2 | 0.1 | 100 |
| Expenses | 4.7 | 2.8 | 68 |
| Profit before income tax | 112.9 | 117.3 | (4) |
| <i>less:</i> Income tax | 21.5 | 26.7 | (19) |
| Profit after income tax | 91.4 | 90.6 | 1 |
| Attributable to: | | | |
| Shareholders | 90.3 | 89.7 | 1 |
| Minority interest | 1.1 | 0.9 | 22 |
| | 91.4 | 90.6 | 1 |
| Basic earnings per share (in Singapore cents) | 19 cents | 19 cents | |
| Diluted earnings per share (in Singapore cents) | 19 cents | 19 cents | |

^(1.1) Turnover for the Group is derived from the summation of components as follows: (i) Gross investment income, Interest income, Gain/(loss) on sale of investments (excluding fair value changes on held-for-trading investments) and Fees and other income from the Profit and Loss Statement; (ii) Gross premiums, Gross investment income, Interest income, Rental income and Gain/(loss) on sale of investments (excluding fair value changes on held-for-trading investments) from the Life Assurance Revenue Statement and (iii) Gross premiums, Gross investment income, Interest income and Gain/(loss) on sale of investments (excluding fair value changes on held-for-trading investments) from the General Insurance Revenue Statement.

2 BALANCE SHEETS as at 31 March 2005 and 31 December 2004

| in Singapore Dollars (millions) | Group | | | Company | | |
|--|-----------------|-----------------|------------|----------------|----------------|------------|
| | 31 Mar 2005 | 31 Dec 2004 | % +/(-) | 31 Mar 2005 | 31 Dec 2004 | % +/(-) |
| Share capital | | | | | | |
| Authorised | 1,000.0 | 1,000.0 | - | 1,000.0 | 1,000.0 | - |
| Issued and fully paid | 236.7 | 236.7 | - | 236.7 | 236.7 | - |
| Share premium | 10.7 | 10.7 | - | 10.7 | 10.7 | - |
| Reserves | | | | | | |
| Merger reserve | 164.9 | 164.9 | - | 620.0 | 620.0 | - |
| Translation reserve | (12.1) | (14.6) | 17 | - | - | - |
| Fair value reserve | 95.2 | 94.3 | 1 | - | - | - |
| Accumulated profit | 1,835.9 | 1,832.7 | * | 904.8 | 991.7 | (9) |
| SHAREHOLDERS' FUND | 2,331.3 | 2,324.7 | * | 1,772.2 | 1,859.1 | (5) |
| MINORITY INTERESTS | 12.9 | 11.8 | 9 | - | - | - |
| TOTAL EQUITY | 2,344.2 | 2,336.5 | * | 1,772.2 | 1,859.1 | (5) |
| LIABILITIES | | | | | | |
| Income tax | 225.3 | 232.1 | (3) | (0.3) | (0.5) | 40 |
| Other creditors and interfund balances | 1,347.2 | 968.2 | 39 | 89.0 | 2.3 | nm |
| Unexpired risk reserve | 37.7 | 34.8 | 8 | - | - | - |
| Policy benefits | 1,230.2 | 1,207.3 | 2 | - | - | - |
| Claims admitted or intimated | 139.0 | 130.8 | 6 | - | - | - |
| Agents' retirement benefits | 143.7 | 139.6 | 3 | - | - | - |
| Deferred tax | 242.8 | 267.4 | (9) | (0.1) | (0.1) | - |
| General insurance fund | 133.6 | 135.1 | (1) | - | - | - |
| Life assurance fund | 31,011.7 | 30,804.8 | 1 | - | - | - |
| TOTAL EQUITY AND LIABILITIES | 36,855.4 | 36,256.6 | 2 | 1,860.8 | 1,860.8 | - |
| ASSETS | | | | | | |
| Cash and bank balances | 627.1 | 657.4 | (5) | 2.6 | 2.7 | (4) |
| Cash on deposit | 3,792.0 | 4,212.4 | (10) | 185.2 | 271.7 | (32) |
| Other debtors and interfund balances | 1,118.9 | 976.4 | 15 | 0.3 | 0.3 | - |
| Outstanding premiums | 125.5 | 153.0 | (18) | - | - | - |
| Properties held for sale | 70.7 | 82.1 | (14) | - | - | - |
| Investments | 29,645.7 | 28,698.6 | 3 | 2.0 | 2.0 | - |
| Associated companies | 150.2 | 150.5 | * | - | - | - |
| Subsidiary companies | - | - | - | 1,670.7 | 1,584.1 | 5 |
| Intangible assets | 32.2 | 32.9 | (2) | - | - | - |
| Property, plant and equipment | 1,293.1 | 1,293.3 | * | - | - | - |
| TOTAL ASSETS | 36,855.4 | 36,256.6 | 2 | 1,860.8 | 1,860.8 | - |
| Net Asset Value per share (S\$) | 4.93 | 4.91 | * | 3.74 | 3.93 | (5) |

* the percentage change is less than 1%

nm - not meaningful

3 SELECTED MANAGEMENT EXPENSES for the first quarter ended 31 March

| in Singapore Dollars (millions) | Shareholders' and General Insurance Funds | | Life Assurance Fund | |
|--|--|-----------------|---------------------|-----------------|
| | 1st Qtr 2005 | 1st Qtr 2004 | 1st Qtr 2005 | 1st Qtr 2004 |
| Directors' remuneration | | | | |
| Directors of the Company | 0.1 | 0.1 | 0.2 | 0.1 |
| Auditors' remuneration | | | | |
| Audit fees paid to auditors of the Company | 0.1 | 0.1 | 0.2 | 0.1 |
| Audit fees paid to other auditors | 0.1 | - | - | - |
| Other fees paid to auditors of the Company | - | - | - | 0.1 |
| Staff costs and related expenses | 3.6 | 3.4 | 20.6 | 19.0 |
| Rental expense | 0.4 | 0.3 | 2.6 | 3.1 |
| Depreciation and amortisation | 0.3 | 0.3 | 6.9 | 6.4 |

4 GROUP FINANCIAL HIGHLIGHTS for the first quarter ended 31 March

| | | Group | | |
|---|---------------|-----------------|-----------------|-------------|
| | | 1st Qtr 2005 | 1st Qtr 2004 | % +/(-) |
| Turnover | (S\$millions) | 1,545.6 | 1,967.3 | (21) |
| Gross Premiums | (S\$millions) | 1,042.2 | 1,284.4 | (19) |
| Total Assets | (S\$millions) | 36,855.4 | 33,939.5 | 9 |
| Profit Attributable to Shareholders | (S\$millions) | 90.3 | 89.7 | 1 |
| Shareholders' Fund | (S\$millions) | 2,331.3 | 2,145.6 | 9 |
| Profit After Tax before Minority Interests as a % of Turnover | % | 5.9% | 4.6% | 1.3 pp |
| Return on Equity (average Shareholders' Fund) | % | 3.9% | 4.3% | -0.4 pp |
| Gross Premium Growth | % | -18.9% | 32.8% | -51.7pp |

5 GROUP STATEMENT OF CHANGES IN EQUITY for the first quarter ended 31 March

| in Singapore Dollars (millions) | Attributable to Shareholders of the Group | | | | | | | Minority Interest | Total Equity |
|--|---|---------------|----------------|---------------------|--------------------|--------------------|---------|-------------------|--------------|
| | Share Capital | Share Premium | Merger Reserve | Translation Reserve | Fair Value Reserve | Accumulated Profit | Total | | |
| Balance at 1 January 2005 | 236.7 | 10.7 | 164.9 | (14.6) | 94.3 | 1,832.7 | 2,324.7 | 11.8 | 2,336.5 |
| Net profit/(loss) recognised directly in equity for period ended 31 March 2005: | | | | | | | | | |
| Exchange differences arising on translation of overseas entities | - | - | - | 2.5 | - | - | 2.5 | - | 2.5 |
| Current period movements in Fair Value Reserve: | | | | | | | | | |
| Fair value changes on remeasuring available-for-sale investments | - | - | - | - | 7.1 | - | 7.1 | - | 7.1 |
| Fair value changes transferred to Profit and Loss Statement during the period | - | - | - | - | (4.8) | - | (4.8) | - | (4.8) |
| Deferred tax on fair value changes | - | - | - | - | (1.4) | - | (1.4) | - | (1.4) |
| Net profit/(loss) recognised directly in equity | - | - | - | 2.5 | 0.9 | - | 3.4 | - | 3.4 |
| Net profit for the period | - | - | - | - | - | 90.3 | 90.3 | 1.1 | 91.4 |
| Total recognised profit/(loss) for the period | - | - | - | 2.5 | 0.9 | 90.3 | 93.7 | 1.1 | 94.8 |
| Dividends declared in the period: | | | | | | | | | |
| Final and special final dividends for the previous year (net of 20% Singapore Tax) | - | - | - | - | - | (87.1) | (87.1) | - | (87.1) |
| Balance at 31 March 2005 | 236.7 | 10.7 | 164.9 | (12.1) | 95.2 | 1,835.9 | 2,331.3 | 12.9 | 2,344.2 |
| Balance at 1 January 2004 | 235.7 | 0.8 | 141.9 | (8.7) | 110.2 | 1,544.1 | 2,024.0 | 9.0 | 2,033.0 |
| Net profit/(loss) recognised directly in equity for period ended 31 March 2004: | | | | | | | | | |
| Exchange differences arising on translation of overseas entities | - | - | - | (4.1) | - | - | (4.1) | - | (4.1) |
| Current period movements in Fair Value Reserve: | | | | | | | | | |
| Fair value changes on remeasuring available-for-sale investments | - | - | - | - | 52.8 | - | 52.8 | - | 52.8 |
| Fair value changes transferred to Profit and Loss Statement during the period | - | - | - | - | (14.2) | - | (14.2) | - | (14.2) |
| Deferred tax on fair value changes | - | - | - | - | (8.0) | - | (8.0) | - | (8.0) |
| Deferred tax - effect of change in tax rate | - | - | 2.1 | - | 2.6 | - | 4.7 | - | 4.7 |
| Net profit/(loss) recognised directly in equity | - | - | 2.1 | (4.1) | 33.2 | - | 31.2 | - | 31.2 |
| Net profit for the period | - | - | - | - | - | 89.7 | 89.7 | 0.9 | 90.6 |
| Total recognised profit/(loss) for the period | - | - | 2.1 | (4.1) | 33.2 | 89.7 | 120.9 | 0.9 | 121.8 |
| Issue of shares arising from exercise of share options | 0.1 | 0.6 | - | - | - | - | 0.7 | - | 0.7 |
| Balance at 31 March 2004 | 235.8 | 1.4 | 144.0 | (12.8) | 143.4 | 1,633.8 | 2,145.6 | 9.9 | 2,155.5 |

6 COMPANY STATEMENT OF CHANGES IN EQUITY for the first quarter ended 31 March

| in Singapore Dollars (millions) | Share Capital | Share Premium | Merger Reserve | Accumulated Profit | Total |
|--|---------------|---------------|----------------|--------------------|----------------|
| Balance at 1 January 2005 | 236.7 | 10.7 | 620.0 | 991.7 | 1,859.1 |
| Net profit for the period | - | - | - | 0.2 | 0.2 |
| Dividends declared in the period: | | | | | |
| Final and special final dividends for the previous year (net of 20% Singapore Tax) | - | - | - | (87.1) | (87.1) |
| Balance at 31 March 2005 | 236.7 | 10.7 | 620.0 | 904.8 | 1,772.2 |
| Balance at 1 January 2004 | 235.7 | 0.8 | 620.0 | 890.1 | 1,746.6 |
| Net profit for the period | - | - | - | 0.1 | 0.1 |
| Issue of shares arising from exercise of share options | 0.1 | 0.6 | - | - | 0.7 |
| Balance at 31 March 2004 | 235.8 | 1.4 | 620.0 | 890.2 | 1,747.4 |

7 CONSOLIDATED STATEMENT OF CASH FLOWS for the first quarter ended 31 March

| in Singapore Dollars (millions) | 1st Qtr 2005 | 1st Qtr 2004 |
|---|------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | 112.9 | 117.3 |
| Excess of income over expenses before income tax from life assurance revenue statement | 588.4 | 965.4 |
| Excess of income over expenses before income tax from general insurance revenue statement | 5.4 | 14.1 |
| Adjustments for non-cash items: | | |
| Surplus transferred from life assurance fund but not yet withdrawn | (87.0) | (76.4) |
| Profit transferred from general insurance fund but not yet withdrawn | (5.7) | (11.3) |
| Share of results of associated companies | 0.3 | (0.1) |
| Amortisation of difference in purchase consideration over nominal value of government securities, loan stocks and bonds | 7.8 | 3.2 |
| Gain on sale of investments and changes in fair value | (96.2) | (368.7) |
| Loss on sale of properties held for sale | 1.8 | - |
| (Write-back of)/Increase in provision for impairment of assets | (0.8) | 1.7 |
| Agents' retirement benefits | 3.9 | 3.3 |
| Increase/(decrease) in reserves during the year | 1.3 | (0.4) |
| Depreciation and amortisation | 7.2 | 6.7 |
| Exchange difference | 12.0 | 30.6 |
| | 551.3 | 685.4 |
| Changes in working capital: | | |
| Outstanding premiums | 27.5 | 35.9 |
| Other debtors | (142.5) | (114.1) |
| Claims admitted or intimated | 8.2 | 6.3 |
| Policy benefits | 22.9 | 9.4 |
| Unexpired risk reserve | 2.8 | 2.3 |
| Other creditors | 291.9 | 107.8 |
| Cash generated from operations | 762.1 | 733.0 |
| Income tax paid | (50.7) | (37.0) |
| Agents' retirement benefits paid | (1.1) | (0.8) |
| Net cash flows from operating activities | 710.3 | 695.2 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 3,035.8 | 3,969.6 |
| Purchase of investments | (4,304.3) | (3,809.7) |
| Proceeds from sale of properties held for sale | 10.9 | - |
| Proceeds from sale of property, plant and equipment | 14.5 | - |
| Purchase of property, plant and equipment | (17.5) | (27.0) |
| Net cash flows (used in)/from investing activities | (1,260.6) | 132.9 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issue of shares arising from exercise of share options | - | 0.7 |
| Net cash flows from financing activities | - | 0.7 |
| Net effect of translation reserve adjustment | 99.6 | (141.5) |
| Net (decrease)/increase in cash and cash equivalents | (450.7) | 687.3 |
| Cash and cash equivalents at the beginning of the period | 4,869.8 | 4,140.0 |
| Cash and cash equivalents at the end of the period | 4,419.1 | 4,827.3 |

Cash and cash equivalents consist of cash, bank balances and cash on deposit.

8 GROUP SEGMENTAL INFORMATION for the first quarter ended 31 March

(1) By Geographical Segments

| in Singapore Dollars (millions) | Singapore | | Malaysia | | Other ASEAN | | Consolidated | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1st Qtr 2005 | 1st Qtr 2004 | 1st Qtr 2005 | 1st Qtr 2004 | 1st Qtr 2005 | 1st Qtr 2004 | 1st Qtr 2005 | 1st Qtr 2004 |
| (a) Life Assurance Fund | | | | | | | | |
| Premium income (net) | 615.1 | 870.2 | 369.9 | 348.3 | 5.1 | 4.1 | 990.1 | 1,222.6 |
| Investment, interest and rental income | 193.8 | 390.2 | 162.9 | 216.2 | 2.6 | 3.1 | 359.3 | 609.5 |
| Write-back of/(Increase in) provision for impairment of assets | 0.8 | (1.7) | - | - | - | - | 0.8 | (1.7) |
| Total income | 809.7 | 1,258.7 | 532.8 | 564.5 | 7.7 | 7.2 | 1,350.2 | 1,830.4 |
| Claims, surrenders and annuities | 465.7 | 572.6 | 163.6 | 159.3 | 2.7 | 2.1 | 632.0 | 734.0 |
| Depreciation and amortisation | 5.2 | 4.3 | 1.7 | 2.1 | - | - | 6.9 | 6.4 |
| Commissions and expenses | 43.9 | 49.9 | 77.7 | 73.9 | 1.0 | 0.9 | 122.6 | 124.7 |
| Income tax | 4.3 | 28.4 | 10.4 | 20.1 | 0.1 | 0.3 | 14.8 | 48.8 |
| Total expenses | 519.1 | 655.2 | 253.4 | 255.4 | 3.8 | 3.3 | 776.3 | 913.9 |
| Share of results of associated companies | (0.3) | 0.1 | - | - | - | - | (0.3) | 0.1 |
| Excess of income over expenses | 290.3 | 603.6 | 279.4 | 309.1 | 3.9 | 3.9 | 573.6 | 916.6 |
| Total assets employed | 22,257.1 | 20,314.9 | 11,534.0 | 10,743.7 | 194.6 | 191.3 | 33,985.7 | 31,249.9 |
| Capital expenditure | 13.5 | 25.8 | 3.8 | 0.8 | 0.1 | - | 17.4 | 26.6 |
| Property, plant and equipment | 1,007.6 | 1,124.3 | 281.1 | 226.1 | 0.2 | 0.2 | 1,288.9 | 1,350.6 |
| Intangible assets | 13.8 | - | 18.4 | - | - | - | 32.2 | - |
| Investments: | 17,784.9 | 16,103.3 | 10,245.8 | 8,782.4 | 159.0 | 157.0 | 28,189.7 | 25,042.7 |
| i. Government securities, loan stocks and bonds | 10,166.4 | 8,587.5 | 5,798.1 | 4,083.9 | 86.4 | 72.1 | 16,050.9 | 12,743.5 |
| ii. Quoted equity in corporations | 5,148.1 | 5,527.8 | 3,005.5 | 3,339.7 | 46.6 | 61.8 | 8,200.2 | 8,929.3 |
| iii. Unquoted equity in corporations | 20.8 | 19.5 | 39.7 | 17.7 | 0.5 | 0.5 | 61.0 | 37.7 |
| iv. Collective investment schemes | 857.0 | 438.6 | 7.8 | 9.5 | 6.9 | 2.6 | 871.7 | 450.7 |
| v. Derivatives and embedded derivatives | 412.4 | 125.4 | 5.2 | 19.3 | 1.0 | 1.2 | 418.6 | 145.9 |
| vi. Policy loans | 846.1 | 818.8 | 1,046.6 | 1,009.4 | 17.6 | 18.8 | 1,910.3 | 1,847.0 |
| vii. Unsecured loans | 0.3 | 0.3 | 0.1 | 0.1 | - | - | 0.4 | 0.4 |
| viii. Secured loans | 333.8 | 585.4 | 342.8 | 302.8 | - | - | 676.6 | 888.2 |
| Cash and bank balances | 2,809.5 | 2,482.1 | 804.4 | 1,559.5 | 30.4 | 30.0 | 3,644.3 | 4,071.6 |
| (b) General Insurance Fund | | | | | | | | |
| Premium income (net) | 11.4 | 14.2 | 9.6 | 7.4 | 0.1 | 0.1 | 21.1 | 21.7 |
| Increase in unexpired risk reserve during the period | (2.0) | (2.4) | (0.8) | 0.1 | - | - | (2.8) | (2.3) |
| Claims and increase in loss reserve | (6.5) | (4.2) | (4.0) | (4.6) | - | - | (10.5) | (8.8) |
| Depreciation and amortisation | - | (0.1) | (0.1) | (0.1) | - | - | (0.1) | (0.2) |
| Commissions and expenses | (3.1) | (2.3) | (2.8) | (2.1) | - | (0.1) | (5.9) | (4.5) |
| Net underwriting (loss)/profit | (0.2) | 5.2 | 1.9 | 0.7 | 0.1 | - | 1.8 | 5.9 |
| Investment and interest income | 1.5 | 5.6 | 2.1 | 2.6 | - | - | 3.6 | 8.2 |
| Total assets employed | 153.5 | 187.9 | 123.0 | 130.9 | 0.9 | 5.2 | 277.4 | 324.0 |
| Capital expenditure | - | - | - | 0.1 | - | - | - | 0.1 |
| (c) Shareholders' Fund | | | | | | | | |
| Profit from insurance operations | 40.8 | 50.1 | 51.8 | 37.6 | 0.1 | - | 92.7 | 87.7 |
| Profit from investments | 13.5 | 21.0 | 2.5 | 2.4 | - | 0.9 | 16.0 | 24.3 |
| Fees and other income | 8.9 | 8.1 | - | - | - | - | 8.9 | 8.1 |
| Profit before expenses | 63.2 | 79.2 | 54.3 | 40.0 | 0.1 | 0.9 | 117.6 | 120.1 |
| Depreciation and amortisation | 0.2 | 0.1 | - | - | - | - | 0.2 | 0.1 |
| Profit attributable to shareholders ^(8.1) | 51.4 | 60.6 | 38.8 | 28.9 | 0.1 | 1.1 | 90.3 | 89.7 |
| Total assets employed ^(8.2) | 2,327.2 | 2,126.5 | 329.9 | 301.8 | 2.1 | 5.2 | 2,592.3 | 2,365.6 |
| Capital expenditure | - | 0.3 | 0.1 | - | - | - | 0.1 | 0.3 |

^(8.1) elimination of inter-segment transactions - 2005: nil (2004: \$0.9 million)

^(8.2) elimination of inter-segment transactions - 2005: \$66.9 million (2004: \$67.9 million)

8 **GROUP SEGMENTAL INFORMATION for the first quarter ended 31 March - continued**

(2) **By Business Segments**

| in Singapore Dollars (millions) | Life Assurance Fund (Non-Linked) | | Life Assurance Fund (Linked) | | Consolidated | |
|--|-------------------------------------|-----------------|---------------------------------|-----------------|-----------------|-----------------|
| | 1st Qtr 2005 | 1st Qtr 2004 | 1st Qtr 2005 | 1st Qtr 2004 | 1st Qtr 2005 | 1st Qtr 2004 |
| Premium income (net) | 859.3 | 950.2 | 130.8 | 272.4 | 990.1 | 1,222.6 |
| Investment, interest and rental income | 378.3 | 576.3 | (19.0) | 33.2 | 359.3 | 609.5 |
| Write-back of/(Increase in) provision for impairment of assets | 0.7 | (1.7) | 0.1 | - | 0.8 | (1.7) |
| Total income | 1,238.3 | 1,524.8 | 111.9 | 305.6 | 1,350.2 | 1,830.4 |
| Claims, surrenders and annuities | 500.6 | 508.9 | 131.4 | 225.1 | 632.0 | 734.0 |
| Depreciation and amortisation | 6.7 | 6.4 | 0.2 | - | 6.9 | 6.4 |
| Commissions and expenses | 94.2 | 99.2 | 28.4 | 25.5 | 122.6 | 124.7 |
| Income tax | 14.9 | 47.8 | (0.1) | 1.0 | 14.8 | 48.8 |
| Total expenses | 616.4 | 662.3 | 159.9 | 251.6 | 776.3 | 913.9 |
| Share of results of associated companies | (0.3) | 0.1 | - | - | (0.3) | 0.1 |
| Excess of income over expenses | 621.6 | 862.6 | (48.0) | 54.0 | 573.6 | 916.6 |
| Total assets employed | 31,644.8 | 29,125.1 | 2,340.9 | 2,124.8 | 33,985.7 | 31,249.9 |
| Capital expenditure | 17.4 | 26.6 | - | - | 17.4 | 26.6 |

9 **REVIEW OF RESULTS**

The financial statements of Great Eastern Holdings Limited (the "Company" or "GEH") and its subsidiaries for the first quarter ended 31 March 2005 ("Q1 05") have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The accounting policies and methods of computation applied are consistent with those used to prepare the Group's financial statements for 2004, except as disclosed in paragraph 10 below.

9.1 Profit attributable to shareholders

Group profit attributable to shareholders for Q1 05 of S\$90.3 million was comparable to the profit for the first quarter of 2004 ("Q1 04") of S\$89.7 million.

9.2 Pre-tax profit from insurance operations

9.2.1 Pre-tax profit from the insurance operations comprised insurance and investment profits from life and general insurance funds.

9.2.2 Pre-tax profit from the life assurance operations (from the Participating, Non-Participating and Investment-Linked Funds) totalled S\$87.0 million in Q1 05, an increase of 14% or S\$10.6 million over the comparative in Q1 04 of S\$76.4 million. This was due to the increase in pre-tax profit of 12% in the Non-Participating Fund and 47% in the Investment-Linked Fund as compared to Q1 04. The profit from the Investment-Linked Fund was in line with the Group's strategy to grow the investment-linked business.

9.2.3 Pre-tax profit from the Group's general insurance operations for Q1 05 was S\$5.7 million, a decrease of 50% compared to S\$11.3 million for Q1 04, due to lower underwriting profit and reduced investment income from the Singapore operation. The lower underwriting profit was due to an increase in loss reserves in respect of two business lines – (a) workmen compensation, as a result of the Government's withdrawal of hospitalisation subsidies for foreign workers, and (b) miscellaneous accident class. The comparative Q1 04 investment profit included a one-time special cash dividend of S\$3.6 million.

9.3 Pre-tax profit from investments of Shareholders' Fund

Pre-tax profit from investments in the Shareholders' Fund in Q1 05 showed a net decrease of 34% to S\$16.0 million, from S\$24.3 million in Q1 04, as a result of lower realised gain on sale of investments. Interest income was higher, arising from higher interest rates and increased allocation to fixed income investments.

9.4 Pre-tax fees and other income

Fees and other income in the Shareholders' Fund rose 10% in Q1 05 to S\$8.9 million, from S\$8.1 million in Q1 04. This was contributed mainly by the asset management subsidiary, Straits Lion Asset Management Limited, as its assets under management grew from S\$16.9 billion as at 31 March 2004 to S\$25.5 billion as at 31 March 2005.

9.5 Management and Other Expenses

Management and other expenses rose 67% in Q1 05 to S\$4.5 million, from S\$2.7 million in Q1 04. The increase was due mainly to (a) expenses incurred in regional expansion including expenses in connection with the application for a life assurance operating licence in Chongqing, China, and (b) increased operating costs relating to the asset management and financial advisory services.

9.6 Income Tax

The income tax expense of S\$21.5 million included a tax refund of S\$4.8 million arising from finalised settlement of prior years' tax. Excluding the tax refund, the effective tax rate would have been 23.3% for Q1 05, as compared with 22.7% for Q1 04. The Singapore corporate tax rate is 20%; Malaysia's is 28%.

9.7 Earnings per Share and Return on Equity

Earnings per share for Q1 05 and Q1 04 remained unchanged at 19 cents. Return on equity decreased by 0.4 percentage points to 3.9%, compared with 4.3% as at 31 March 2004.

9.8 Group Assets

The Group's Balance Sheet as at 31 March 2005 showed that total Group assets grew by 2% to S\$36.9 billion, from S\$36.3 billion as at 31 December 2004; net asset value per share increased to S\$4.93 from S\$4.91.

10 ACCOUNTING POLICIES AND IMPLEMENTATION OF RISK-BASED CAPITAL FRAMEWORK FOR SINGAPORE INSURERS

- 10.1 The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for Q1 05, consistent with the audited financial statements for the year ended 31 December 2004, except for the adoption of the following new FRS that are mandatory for financial years beginning on or after 1 January 2005:
- (a) FRS 102 - Share-based Payment
 - (b) FRS 103 - Business Combinations
 - (c) FRS 104 - Insurance Contracts
 - (d) FRS 105 - Non-current Assets Held for Sale and Discontinued Operations

Apart from the above, the Group also adopted revisions to various FRS as were appropriate and applicable from 1 January 2005.

The adoption of these new and revised FRS does not have any major financial impact on the Group's Q1 05 results. The Group adopted FRS 39 on "Financial Instruments: Recognition and Measurement" since 1 January 2002, although it only became mandatory from 1 January 2005.

- 10.2 The new Insurance Regulations 2004 governing risk-based capital framework for insurers in Singapore came into effect on 1 January 2005. To comply with the new regulations, each of the insurance funds has to maintain a minimum 100% of regulatory risk capital.

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

- 11.1 The Group's insurance premium sales and investment performance are directly linked to the economic growth of Singapore and the region. The latest indications are that the growth in Singapore, which slackened in the first quarter 2005, may continue to ease further, while that in Malaysia is likely to be maintained. In Singapore, short-term interest rates, having increased by about 50 basis points during the second half of 2004, continued to increase by another 50 basis points during the first quarter of 2005. Crude oil prices declined to about US\$40 per barrel during the fourth quarter of 2004 but increased to more than US\$50 per barrel during the first quarter of 2005 and would likely remain volatile. It is uncertain whether the forecast 5% economic growth for the full year will materialise if interest rates and oil prices continue their upward trend.
- 11.2 Earnings from the Group's insurance operations will continue to be affected by uncertainties in the equity and foreign exchange markets as well as changes in interest rates.
- 11.3 The Group is in discussion with OCBC Bank to merge the asset management companies, Straits Lion Asset Management Limited and OCBC Asset Management Limited. The potential earnings impact of the merged asset management entity will depend on the ultimate ownership structure and the earnings growth.
- 11.4 The Group is developing its financial advisory channel through subsidiary Alpha Financial Advisers Private Limited ("Alpha"). Alpha provides a full range of financial advisory services to its target customers, offering products from the Group as well as other financial institutions. The earnings contribution from Alpha will depend on the growth of income it derives from providing financial advisory services.
- 11.5 The Group, while preparing for the operations in China, will continue to incur start up expenses; profits are not expected in the next few years.

12 RESULTS UNAUDITED

The consolidated Group financial results for the first quarter ended 31 March 2005 have not been audited or reviewed by the Group's auditors.

13 BORROWINGS, CONTINGENT LIABILITIES AND LONG TERM LIABILITIES

- 13.1 There were no borrowings or contingent liabilities for the Group as at 31 March 2005 (31 March 2004: nil) as the Group has strong liquidity for its business operations.
- 13.2 The Group's insurance subsidiary companies in Singapore were issued a protective tax assessment by the Inland Revenue Authority of Singapore ("IRAS") in respect of Year of Assessment 1998, as it would have become time barred after 31 December 2004. The protective tax assessment disallowed the deduction of the Life Assurance Participating Fund's cost of bonus in the income tax computation, whereas the deduction had been granted in previous years. In the event that the cost of bonus is not allowed as an expense for tax purposes, the Singapore Life Assurance Fund would be liable for additional tax payment of approximately S\$283.5 million for the open years of assessment from 1998 to 2005. The Directors have considered the matter and are of the view that since the matter is still under discussion with IRAS, it is premature to make any provision at this juncture.

14 ISSUED SHARE CAPITAL

The Company's issued and paid up share capital remained at S\$236,659,534.50 as at 31 March 2005, the same as at 31 December 2004. The Company did not issue any shares during the quarter ended 31 March 2005, since there were no outstanding unexercised share options as at 1 January 2005. (As disclosed previously, as a consequence of OCBC's offer for GEH in 2004, all outstanding unexercised share options then became exercisable, pursuant to the Great Eastern Holdings Executives Share Option Scheme ("GEH Option Scheme"), within a period of six months from the date OCBC's offer became unconditional. Thereafter, any remaining unexercised options lapsed). The Company did not grant any share options in Q1 05 under the GEH Option Scheme.

15 SUBSEQUENT EVENT

In April 2005, senior executives of the GEH Group were nominated to participate in the OCBC Share Option Scheme 2001. The fair value of the share options granted will be charged to the Group and will be expensed in accordance with FRS 102.

16 DIVIDENDS

No interim dividend has been declared in the first quarter of 2005 (first quarter 2004: nil).

BY ORDER OF THE BOARD

Elizabeth Teoh
Group Company Secretary
Singapore
9 May 2005