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Annual Report 1999



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Chairman's Statement

"In 1999, riding the tide of the economic recovery of Singapore and the Far East region, **the Group had record earnings**, with strong performance in both the core life insurance business and investment activities."



MR HOWE YOON CHONG EXECUTIVE CHAIRMAN

Great Eastern Holdings Limited, incorporated in June 1999, became the holding company of the existing insurance company The Great Eastern Life Assurance Company Limited ("Great Eastern Life"), with effect from 27 November 1999. This is due to the restructuring of Great Eastern Life as a wholly-owned subsidiary of Great Eastern Holdings pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50. In the process, all the Great Eastern Life shares in issue then were cancelled and were effectively replaced by Great Eastern Holdings shares, listed on the Main Board of the Singapore Exchange with effect from 29 November 1999. This is indeed an important milestone in the 92-year history of Great Eastern Life.

place and also generally to attain greater efficiency and effectiveness in the context of insurance and other financial activities.

In 1999, riding the tide of the economic recovery of Singapore and the Far East region, the Group had record earnings, with strong performance in both the core life insurance business and investment activities. The region had weathered well the 1997/98 economic crisis. Most marked is the recovery of the Singapore and many of the regional stock markets in 1999 which boosted the Group's investment activities.

OVERVIEW OF OPERATIONS Pre-tax profits from the Group's insurance operations increased from S\$86.8 million in 1998 to S\$143.4 million in 1999. Pre-tax profits from investments totalled S\$94.7 million, which included a S\$36.6 million write-back of provision for diminution in value of investments.

The Group's profit after tax, attributable to shareholders, grew from S\$76.7 million to S\$221.1 million. As a result of the strong performance the Group achieved a return on equity of 26.3%, which is more than double previous year's 11.5%; the earnings per share increased from S\$0.79 to S\$2.27.

"THE RESTRUCTURING HAS BEEN DEEMED NECESSARY IN VIEW OF THE IMPENDING LIBERALISATION OF THE INSURANCE INDUSTRY IN SINGAPORE AND THE LIKELIHOOD OF LOCAL INSURANCE COMPANIES BEING FACED WITH MUCH MORE INTENSE COMPETITION THAN HITHERTO."

The restructuring has been deemed necessary in view of the impending liberalisation of the insurance industry in Singapore and the likelihood of local insurance companies being faced with much more intense competition than hitherto. This restructuring, besides enabling the Company and its subsidiaries to provide a more comprehensive range of financial services to customers, will introduce greater strategic flexibility to permit the Group to engage in acquisitions, joint ventures and strategic alliances to meet the challenges of the competitive market

Insurance Operations Premium income from the Group's insurance operations was S\$2.6 billion for 1999, a 17% increase over the S\$2.2 billion for 1998. This has been due mainly to increased sales arising from the improved economic conditions, more aggressive marketing efforts and the introduction of a number of new and attractive products.

The Group continued to invest heavily in information technology for its insurance operations to help it keep ahead of competition. It had also continued its efforts in raising productivity of its staff and the quality of its insurance all round. Great Eastern Life participated in and was admitted into the Singapore Productivity and Standards Board's "Singapore Quality Class" in 1999.

Asset Management The Group made substantial profits in its investment activities. Realised profits on sale of investments

for both the Shareholders' Fund and the Insurance Funds were S\$29.9 million and S\$876.5 million respectively in 1999.

These profits were achieved mainly by the Group's in-house asset management subsidiary company, Straits Lion Asset Management Private Limited, in Singapore. The Group's other in-house investment teams in Singapore and Malaysia also contributed to the profits.

Properties Construction of the Group's new corporate headquarters building, Great Eastern Tower, is on schedule. Situated at China Square just across the road from the

residential condominium at Haig Road, targeted to be completed in two years' time.

COMMUNITY SERVICE The Group continued to be active in community service, in particular through Great Eastern Life's ChildrenCare and GoldenCare programmes. In 1999, Great Eastern Life received the Special Event Award for Community Service in Singapore for the eighth consecutive year.

DIVIDENDS The Directors recommend the payment of gross dividends totalling 63% or 63 cents for every S\$1 ordinary share less Malaysian income tax @ 28% for the financial period ended 31 December 1999, consisting of a First and Final Dividend of 33% or 33 cents less tax, amounting to S\$23.1 million, and a Special Dividend of 30% or 30 cents less tax, amounting to S\$21.0 million, for approval by the shareholders.

Shareholders may recall that in addition to the above proposed dividends, Great Eastern Life had, on 7 September 1999 before it

"THE GROUP'S INSURANCE BUSINESS IS SET FOR GROWTH AS MANY POSITIVE STEPS HAVE BEEN TAKEN TO EXPAND INTO INNOVATIVE BUSINESS DISTRIBUTION CHANNELS IN SINGAPORE AND IN MALAYSIA, AND TO TAP THE POTENTIAL MARKETS IN THE NEIGHBOURING COUNTRIES."

Company's present office premises at OCBC Centre, it will be completed by next year. Construction of the Malaysian headquarters building, Menara Great Eastern Life situated along Jalan Ampang in Kuala Lumpur, is also on schedule to be completed by end 2001.

The Group's investment properties leased out, including Orchard Emerald along Orchard Road and Great Eastern Mansions at Taman Nakhoda in Singapore, contributed enhanced rental income for 1999.

Great Eastern Life is currently developing Haig Court, a 360-unit

was restructured, paid an interim dividend of 5 cents for every S\$1 ordinary share less Malaysian income tax @ 28%, amounting to S\$3.5 million in respect of its 1999 financial year.

BONUS ISSUE The Directors recommend a bonus issue of new ordinary shares of S\$1 each in the capital of the Company, credited as fully paid-up, on the basis of one bonus share for every one existing ordinary share of S\$1 each held in the capital of the Company, subject to the approval of the Singapore Exchange Securities Trading Limited and the shareholders of the Company.

This is to increase the Company's issued capital base, to enhance availability of Great Eastern Holdings shares in the market and to reward shareholders for their continued support.

Based on the existing issued and paid-up share capital of the Company of 97,175,882 shares, 97,175,882 bonus shares will be issued by way of capitalisation of S\$97,175,882 from the

general reserve of the Company. The bonus shares will rank pari passu in all respects with the existing shares except that they will not rank for the Company's First and Final Dividend and the Special Dividend declared in respect of the financial period ended 31 December 1999.

SUB-DIVISION OF SHARES To further increase liquidity of the Company's shares, the Directors recommend a sub-division of each share (including the bonus shares) into two ordinary shares of S\$0.50 each in the capital of the Company, subject to the approval of the Singapore Exchange Securities Trading Limited and the shareholders of the Company. The sub-division, which will be effected after all the bonus shares have been issued, will be in respect of all of the shares, including the bonus shares.

PROSPECTS The Group's insurance business is set for growth as many positive steps have been taken to expand into innovative business distribution channels in Singapore and in Malaysia, and to tap the potential markets in the neighbouring countries. In Singapore, there is much scope in the retirement market, healthcare, income-protection, Central Provident Fund ("CPF") and annuity segments and also growth by way of e-business. Great Eastern Life is also one of the approved insurers who can offer new investment-linked insurance products and their sub-funds under CPF's Central Provident Fund Investment Scheme ("CPFIS").

Great Eastern Life is committed to its aim to be the choice life insurer in ASEAN and beyond.

Barring unforeseen circumstances, the Group's investment portfolio is expected to continue to perform well with continuing growth in the Group's asset management capability. Straits Lion Asset Management has in January 2000 been approved by CPF as one of the fund management companies to manage new investment-linked insurance products and their sub-funds under the CPFIS.

Competition is expected to intensify in the insurance industry and within the financial sector. The Group should however continue to benefit from increased productivity, concerted marketing and innovative product development and expanded distribution channels, and remain focused on customers' changing needs and requirements.

BOARD CHANGES Mr Peter N Husum joined the Board on 27 January 2000. On behalf of my fellow Directors, I extend a warm welcome to him.

I shall be seeking retirement from the Board and my fellow Directors have graciously acceded to my wish not to offer myself for re-appointment at the forthcoming Annual General Meeting. I must thank them for the many years of encouragement, advice and support that they have so generously extended to me during my tenure of office.

CONCLUSION On behalf of the Board of Directors, I wish to thank all our staff and agents for their efforts and contribution in 1999. In closing, I take this opportunity to thank our shareholders, policyholders and customers for their many years of encouragement and their continued support.

HOWE YOON CHONG
EXECUTIVE CHAIRMAN

15 MARCH 2000
SINGAPORE

Board Of Directors

◀ MR HOWE YOON CHONG EXECUTIVE CHAIRMAN



▶ MR LEE SENG WEE

◀ MR MICHAEL WONG PAKSHONG



◀ TAN SRI DATO' DR LIN SEE-YAN

▶ MR PETER N HUSUM

