

UNITED OVERSEAS INSURANCE LIMITED
(Incorporated in the Republic of Singapore)
Company Registration Number : 197100152R

To: All Shareholders

The Board of Directors of United Overseas Insurance Limited wishes to make the following announcement:

1. AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Incr/ (Decr)
	2005	2004	
	\$'000	\$'000	%
(a) Gross premiums written	65,782	63,073	4.3
Gross incoming premiums from portfolio transfer	-	9,086	(100.0)
Gross premium income	65,782	72,159	(8.8)
Net earned premiums	20,925	18,823	11.2
Less/(Add) :			
Net claims incurred	10,121	9,863	2.6
Net commissions	(5,468)	(4,324)	26.5
Management expenses :			
Staff cost	4,567	4,708	(3.0)
Rental expenses	453	450	0.7
Management fees	141	144	(2.1)
Depreciation	360	369	(2.4)
Foreign exchange (gain)/loss	(5)	4	NM
Other operating expenses	(195)	350	NM
Underwriting profit	10,951	7,259	50.9
Gross dividends from investments	3,481	3,566	(2.4)
Interest income	2,782	1,934	43.8
Miscellaneous income	80	420	(81.0)
Realised gains on investments at fair value through profit or loss	2,583	1,863	38.6
Realised gains on available-for-sale investments	228	173	31.8
Unrealised gains on investments at fair value through profit or loss	5,590	-	NM
Loss on sale of fixed assets	-	(1)	(100.0)
Less/(Add) :			
Management expenses not charged to insurance revenue account:			
Management fees	440	389	13.1
Other operating expenses	271	192	41.1
Foreign exchange gain	(2)	(3)	(33.3)
Write-back of provision for diminution in value of investments	-	(101)	(100.0)
Profit before tax	24,986	14,737	69.5
Less: Tax expense	4,320	2,600	66.2
Net profit	20,666	12,137	70.3

Note: NM = Not Meaningful

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1. AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005 (Cont'd)

	<u>Group</u>		
	<u>2005</u>	<u>2004</u>	<u>Incr/</u>
	\$'000	\$'000	<u>(Decr)</u>
			%
(b) Gross premium income			
6 months ended 30 June	42,143	46,731	(9.8)
6 months ended 31 December	23,639	25,428	(7.0)
	<u>65,782</u>	<u>72,159</u>	(8.8)
(c) Net profit after tax			
6 months ended 30 June	9,734	5,961	63.3
6 months ended 31 December	10,932	6,176	77.0
	<u>20,666</u>	<u>12,137</u>	70.3
(d) Net earnings per share (cents)	50.7	29.8	

The provision for taxation contains an adjustment of \$110,000 for over provision of tax in respect of prior years. There are no pre-acquisition profits.

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2. BALANCE SHEET

	<u>Group</u>		<u>Company</u>	
	<u>31-Dec-05</u>	<u>31-Dec-04</u>	<u>31-Dec-05</u>	<u>31-Dec-04</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(a) Share capital - Issued & fully paid	40,770	40,770	40,770	40,770
Reserves	98,834	62,327	96,542	60,517
	139,604	103,097	137,312	101,287
Deferred tax liabilities	4,685	249	4,685	249
Technical balances				
Reserve for unexpired risks	29,245	29,973	28,350	28,973
Outstanding claims	95,378	94,946	93,964	94,340
	124,623	124,919	122,314	123,313
Current liabilities				
Insurance creditors	7,288	9,766	7,013	9,377
Non-trade creditors & other payables	3,290	2,012	3,246	1,932
Deferred acquisition cost - reinsurers	4,466	4,647	4,324	4,483
Amount owing to a related company	113	100	113	100
Tax payables	5,865	2,661	5,865	2,661
	21,022	19,186	20,561	18,553
Total equity and liabilities	289,934	247,451	284,872	243,402
Fixed assets	795	1,055	795	1,055
Investment in subsidiary	-	-	4,940	4,940
Available-for-sale investments	36,293	14,007	36,293	14,007
Non-current debtors	56	77	56	77
Statutory deposit	500	500	500	500
Unsecured term loan	31	34	31	34
Reinsurers' share of technical balances				
Reserve for unexpired risks	16,031	15,829	15,371	15,133
Outstanding claims	54,332	55,764	53,050	55,220
	70,363	71,593	68,421	70,353
Current assets				
Insurance debtors	6,321	6,716	5,986	6,417
Non-trade debtors and other receivables	1,010	1,222	1,006	1,221
Amount owing by related companies	52	4	144	60
Deferred acquisition cost - gross	3,486	3,547	3,274	3,272
Investments at fair value through profit or loss	97,724	92,412	97,724	92,412
Cash and cash equivalents	73,303	56,284	65,702	49,054
	181,896	160,185	173,836	152,436
Total assets	289,934	247,451	284,872	243,402
(b) Net asset value per share (S\$)	3.42	2.53	3.37	2.48

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3. STATEMENT OF CHANGES IN EQUITY

<u>Group</u>	<u>Share capital</u> \$'000	<u>General reserve</u> \$'000	Available- for-sale <u>investment reserve</u> \$'000	Foreign currency <u>translation reserve</u> \$'000	<u>Retained profits</u> \$'000	<u>Total</u> \$'000
Balance at 1 January 2005						
- as previously reported	40,770	15,880	-	219	46,228	103,097
- effect of adopting FRS 39	-	-	17,150	-	4,354	21,504
- as restated	40,770	15,880	17,150	219	50,582	124,601
Net valuation gain taken to equity	-	-	721	-	-	721
Foreign currency translation differences	-	-	-	139	-	139
Net gains not recognised in profit and loss accounts	-	-	721	139	-	860
Net profit	-	-	-	-	20,666	20,666
Total recognised gains for the financial year	-	-	721	139	20,666	21,526
Transfer from retained profits	-	1,000	-	-	(1,000)	-
Dividend for Year 2004	-	-	-	-	(4,892)	(4,892)
Dividend for Year 2005	-	-	-	-	(1,631)	(1,631)
Balance at 31 December 2005	40,770	16,880	17,871	358	63,725	139,604
Balance at 1 January 2004	40,770	14,880	-	500	41,614	97,764
Foreign currency translation differences	-	-	-	(281)	-	(281)
Net losses not recognised in profit and loss accounts	-	-	-	(281)	-	(281)
Net profit	-	-	-	-	12,137	12,137
Total recognised gains and (losses) for the financial year	-	-	-	(281)	12,137	11,856
Transfer from retained profits	-	1,000	-	-	(1,000)	-
Dividend for Year 2003	-	-	-	-	(4,892)	(4,892)
Dividend for Year 2004	-	-	-	-	(1,631)	(1,631)
Balance at 31 December 2004	40,770	15,880	-	219	46,228	103,097

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3. STATEMENT OF CHANGES IN EQUITY (Cont'd)

<u>Company</u>	<u>Share capital</u> \$'000	<u>General reserve</u> \$'000	Available- for-sale <u>investment reserve</u> \$'000	<u>Retained profits</u> \$'000	<u>Total</u> \$'000
Balance at 1 January 2005					
- as previously reported	40,770	15,880	-	44,637	101,287
- effect of adopting FRS 39	-	-	17,150	4,354	21,504
- as restated	40,770	15,880	17,150	48,991	122,791
Net valuation gain taken to equity	-	-	721	-	721
Net gains not recognised in profit and loss accounts	-	-	721	-	721
Net profit	-	-	-	20,323	20,323
Total recognised gains for the financial year	-	-	721	20,323	21,044
Transfer from retained profits	-	1,000	-	(1,000)	-
Dividend for Year 2004	-	-	-	(4,892)	(4,892)
Dividend for Year 2005	-	-	-	(1,631)	(1,631)
Balance at 31 December 2005	40,770	16,880	17,871	61,791	137,312
Balance at 1 January 2004	40,770	14,880	-	40,120	95,770
Total recognised gains for the financial year					
- Net profit	-	-	-	12,040	12,040
Transfer from retained profits	-	1,000	-	(1,000)	-
Dividend for Year 2003	-	-	-	(4,892)	(4,892)
Dividend for Year 2004	-	-	-	(1,631)	(1,631)
Balance at 31 December 2004	40,770	15,880	-	44,637	101,287

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4. CASH FLOW STATEMENT

	Group	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	24,986	14,737
Adjustments for :		
Foreign currency difference on reserve for unexpired risks (net of deferred acquisition cost)	4	(2)
(Decrease)/increase in reserve for unexpired risks (net of deferred acquisition cost)	(1,054)	7,653
Depreciation	360	369
Realised gains on available-for-sale investments	(228)	(173)
Realised gains on investments at fair value through profit or loss	(2,583)	(1,863)
Unrealised gains on investments at fair value through profit or loss	(5,590)	-
Loss on sale of fixed assets	-	1
Gross dividends from investments	(3,481)	(3,566)
Interest income	(2,782)	(1,934)
Write-back of provision for diminution in value of investments	-	(101)
Exchange differences	(165)	290
Operating profit before working capital change	<u>9,467</u>	15,411
Changes in working capital:		
Trade and other receivables	628	(4,948)
Creditors and claims	664	28,056
Amount owing by related companies	(48)	144
Amount owing to related companies	13	17
Cash generated from operations	<u>10,724</u>	38,680
Tax paid	(2,237)	(2,587)
Net cash inflow from operating activities	8,487	36,093
Cash flows from investing activities		
Proceeds from sale of investments at fair value through profit or loss	34,635	40,820
Proceeds from sale on available-for-sale investments	281	1,000
Purchase of investments as fair value through profit or loss	(26,316)	(58,595)
Purchase of fixed assets	(100)	(73)
Unsecured term loan	3	2
Gross dividends from investments	3,481	3,566
Interest income	2,782	1,934
Net cash inflow/(outflow) from investing activities	14,766	(11,346)
Cash flow from financing activity		
Dividend paid	(6,523)	(6,523)
Cash outflow from financing activity	(6,523)	(6,523)
Translation difference on foreign subsidiary company	139	(281)
Net increase in cash and cash equivalents	16,869	17,943
Cash and cash equivalents at beginning of year	56,284	38,631
Effects of exchange rate changes on cash and cash equivalents	150	(290)
Cash and cash equivalents at end of year	73,303	56,284

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5. SEGMENT INFORMATION

The Group is principally engaged in the business of underwriting general insurance business. No segment information by geographical location has been presented as the Group's overseas operations in Hong Kong are relatively insignificant.

6. REVIEW OF PERFORMANCE

Gross premium written increased by 4.3% or S\$2.7 million to S\$65.8 million when compared against the preceding year due mainly to growth synergy with the parent bank. For comparison purposes, this increase did not take into account the one-time transfer of a portfolio of unexpired gross premium reserve of S\$9.1 million from Overseas Union Insurance, Limited (OUI) which took place in year 2004.

Net underwriting profit rose by 50.9% to a record high of S\$11.0 million. The substantial increase was made possible because of higher earned premiums, reduction in net commissions, management expenses and provision for bad debts. Arising from the Scheme for transfer between the Company and OUI, a provision of S\$1.5 million was set aside earlier as a valuation adjustment to the claims reserves that were transferred from OUI. This provision which formed part of the net claims incurred of the Company amounted to S\$0.8 million as at 31 December 2005.

Non-underwriting income also rose by 87.7% to S\$14.0 million due mainly to the recognition for the first time this year of an unrealised profit of S\$5.6 million resulting from the classification of about 73% of the Group's investment portfolio securities as "Fair Value through Profit or Loss" securities in accordance with the new accounting standard FRS39-Financial Instruments: Recognition and Measurement.

Consequently, profit before tax increased to a record of S\$25.0 million due to positive contribution from both underwriting and investment income.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between 31 December 2005 and the date of this announcement which is likely to affect substantially the results of the Company and the Group for the current financial year.

7. PROSPECTS FOR THE NEXT REPORTING PERIOD AND THE NEXT 12 MONTHS

By continuing to pursue a proven policy of judicious risk management in underwriting and investment and by leveraging on the continued growth of the parent bank in the region, the Company expects the profitable trend to extend into the next reporting period and the next 12 months.

8. ACCOUNTING POLICY

The financial statements, expressed in Singapore dollars are prepared in accordance with Singapore Financial Reporting Standards (FRS). The accounting policies and computation methods adopted in the financial statements for the year ended 31 December 2005 are the same as those adopted in the preceding year, except for changes required by the new or revised FRS.

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9. DIVIDEND

The Directors recommend the payment of a final dividend of 15 cents per share (2004 final dividend: 15 cents per share) less 20% Singapore income tax in respect of the financial year ended 31 December 2005.

Together with the interim dividend of 5 cents per share paid previously, the total dividend for the financial year ended 31 December 2005 would be 20 cents per share (2004: 20 cents per share) amounting to a total net dividend payment of S\$6.5 million (2004: S\$6.5 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend will be paid on 22 May 2006.

10. CLOSURE OF BOOKS

Notice is hereby given that, subject to shareholders' approval of the payment of the abovementioned dividend at the Annual General Meeting scheduled for 27 April 2006, the Share Transfer Books and the Register of Members of the Company will be closed from 10 May 2006 to 11 May 2006, both dates inclusive for the preparation of dividend warrants. Registrable transfers received by the Company's Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay, #19-08, Ocean Building, Singapore 049315, up to 5.00 pm on 9 May 2006 will be registered for the abovementioned dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the abovementioned dividend, if approved, will be paid by the Company to CDP who will distribute the dividend to holders of the securities accounts.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 22th day of February 2006

United Overseas Insurance Limited and its Subsidiary

Auditors' Report to the members of United Overseas Insurance Limited

We have audited the accompanying financial statements of United Overseas Insurance Limited (the Company) and its subsidiary (the Group) for the financial year ended 31 December 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the financial statements 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 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and changes in equity of the Group and of the Company, and the cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other record required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore

22 February 2006