

**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. UNAUDITED RESULTS FOR THE FIRST HALF/SECOND QUARTER ENDED 30 JUNE 2006**

	<b>Group</b>					
	<b>1st Half</b>	1st Half	<b>Incr/</b>	<b>2nd Qtr</b>	2nd Qtr	<b>Incr/</b>
	<b>2006</b>	<b>2005</b>	<b>(Decr)</b>	<b>2006</b>	<b>2005</b>	<b>(Decr)</b>
	<b>\$'000</b>	\$'000	<b>%</b>	<b>\$'000</b>	\$'000	<b>%</b>
(a) Gross premiums written	<b>41,119</b>	42,143	(2.4)	<b>16,914</b>	16,415	3.0
Net earned premiums	<b>8,407</b>	8,272	1.6	<b>5,244</b>	5,351	(2.0)
Less/(Add) :						
Net claims incurred	<b>2,732</b>	2,661	2.7	<b>1,102</b>	1,274	(13.5)
Net commissions	<b>(3,487)</b>	(2,317)	50.5	<b>(497)</b>	(619)	(19.7)
Management expenses :						
Staff cost	<b>2,032</b>	1,968	3.3	<b>1,015</b>	982	3.4
Rental expenses	<b>226</b>	225	0.4	<b>114</b>	113	0.9
Management fees	<b>64</b>	94	(31.9)	<b>23</b>	35	(34.3)
Depreciation	<b>182</b>	180	1.1	<b>91</b>	90	1.1
Foreign exchange loss/(gain)	<b>11</b>	(1)	NM	<b>5</b>	(3)	NM
Other operating expenses	<b>10</b>	245	(95.9)	<b>66</b>	195	(66.2)
Underwriting profit	<b>6,637</b>	5,217	27.2	<b>3,325</b>	3,284	1.2
Gross dividends from investments	<b>2,529</b>	1,942	30.2	<b>2,269</b>	1,545	46.9
Interest income	<b>1,881</b>	1,273	47.8	<b>999</b>	683	46.3
Miscellaneous income	<b>7</b>	4	75.0	<b>4</b>	3	33.3
Realised gains on investments at fair value through profit or loss	<b>3,316</b>	2,575	28.8	<b>1,349</b>	2,592	(48.0)
Realised gains on available-for-sale Investments	-	228	(100.0)	-	228	(100.0)
Unrealised (losses)/gains on investments at fair value through profit or loss	<b>(2,230)</b>	3,146	(170.9)	<b>(4,951)</b>	1,346	(467.8)
Less/(Add) :						
Management expenses not charged to insurance revenue account:						
Management fees	<b>228</b>	214	6.5	<b>111</b>	110	0.9
Other operating expenses	<b>113</b>	159	(28.9)	<b>58</b>	90	(35.6)
Exchange differences	<b>60</b>	(41)	NM	<b>27</b>	(15)	NM
Provision for valuation adjustment - Scheme for transfer (UOI/OUI)	-	1,500	(100.0)	-	1,500	(100.0)
Profit before tax	<b>11,739</b>	12,553	(6.5)	<b>2,799</b>	7,996	(65.0)
Less: Tax expense	<b>2,315</b>	2,819	(17.9)	<b>532</b>	1,909	(72.1)
Net profit	<b>9,424</b>	9,734	(3.2)	<b>2,267</b>	6,087	(62.8)

Note : NM = Not Meaningful

(b) Annualised earnings per share (cents) **46.2** 47.8 **22.2** 59.7

The provision for taxation does not contain any adjustment for under or over provision of tax in respect of prior years. There is no pre-acquisition profit.

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**2. BALANCE SHEET**

	<b>Group</b>		<b>Company</b>	
	<b>30-Jun-06</b>	<b>31-Dec-05</b>	<b>30-Jun-06</b>	<b>31-Dec-05</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(a) Share capital - Issued & fully paid	<b>40,770</b>	40,770	<b>40,770</b>	40,770
Reserves	<b>104,432</b>	98,834	<b>102,422</b>	96,542
	<b>145,202</b>	139,604	<b>143,192</b>	137,312
Deferred tax liabilities	<b>5,037</b>	4,685	<b>5,037</b>	4,685
Technical balances				
Reserve for unexpired risks	<b>37,777</b>	29,245	<b>36,838</b>	28,350
Outstanding claims	<b>95,088</b>	95,378	<b>93,757</b>	93,964
	<b>132,865</b>	124,623	<b>130,595</b>	122,314
Current liabilities				
Insurance creditors	<b>18,270</b>	7,288	<b>17,825</b>	7,013
Non-trade creditors & other payables	<b>3,714</b>	3,290	<b>3,674</b>	3,246
Deferred acquisition cost - reinsurers	<b>5,651</b>	4,466	<b>5,493</b>	4,324
Amount owing to a related company	-	113	-	113
Tax payables	<b>5,559</b>	5,865	<b>5,510</b>	5,865
	<b>33,194</b>	21,022	<b>32,502</b>	20,561
Total equity and liabilities	<b>316,298</b>	289,934	<b>311,326</b>	284,872
Fixed assets	<b>628</b>	795	<b>628</b>	795
Investment in subsidiary	-	-	<b>4,940</b>	4,940
Available-for-sale investments	<b>39,363</b>	36,293	<b>39,363</b>	36,293
Non-current debtors	<b>46</b>	56	<b>46</b>	56
Statutory deposit	<b>500</b>	500	<b>500</b>	500
Unsecured term loan	<b>31</b>	31	<b>31</b>	31
Reinsurers' share of technical balances				
Reserve for unexpired risks	<b>23,295</b>	16,031	<b>22,600</b>	15,371
Outstanding claims	<b>54,094</b>	54,332	<b>52,878</b>	53,050
	<b>77,389</b>	70,363	<b>75,478</b>	68,421
Current assets				
Insurance debtors	<b>11,911</b>	6,321	<b>11,590</b>	5,986
Non-trade debtors and other receivables	<b>1,294</b>	1,010	<b>1,288</b>	1,006
Amount owing by related companies	-	52	<b>51</b>	144
Deferred acquisition cost - gross	<b>3,793</b>	3,486	<b>3,551</b>	3,274
Investments at fair value through profit or loss	<b>92,187</b>	97,724	<b>92,187</b>	97,724
Cash and cash equivalents	<b>89,156</b>	73,303	<b>81,673</b>	65,702
	<b>198,341</b>	181,896	<b>190,340</b>	173,836
Total assets	<b>316,298</b>	289,934	<b>311,326</b>	284,872
(b) Net asset value per share (S\$)	<b>3.56</b>	3.42	<b>3.51</b>	3.37

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### 3. GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital \$'000	General reserve \$'000	Available- for-sale investment reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2006	40,770	16,880	17,871	358	63,725	139,604
Net valuation gain taken to equity	-	-	1,410	-	-	1,410
Foreign currency translation differences	-	-	-	(344)	-	(344)
Net gains/(losses) not recognised in profit and loss accounts	-	-	1,410	(344)	-	1,066
Net profit	-	-	-	-	9,424	9,424
Total recognised gains/(losses) for the six months ended 30 June 2006	-	-	1,410	(344)	9,424	10,490
Dividend for Year 2005	-	-	-	-	(4,892)	(4,892)
Balance at 30 June 2006	<b>40,770</b>	<b>16,880</b>	<b>19,281</b>	<b>14</b>	<b>68,257</b>	<b>145,202</b>
Balance at 1 January 2005						
- as previously reported	40,770	15,880	-	219	46,228	103,097
- effect of adopting FRS 39	-	-	13,150	-	9,354	22,504
- as restated	40,770	15,880	13,150	219	55,582	125,601
Net valuation gain taken to equity	-	-	110	-	-	110
Foreign currency translation differences	-	-	-	210	-	210
Net gains not recognised in profit and loss accounts	-	-	110	210	-	320
Net profit	-	-	-	-	9,734	9,734
Total recognised gains for the six months ended 30 June 2005	-	-	110	210	9,734	10,054
Dividend for Year 2004	-	-	-	-	(4,892)	(4,892)
Balance at 30 June 2005	<b>40,770</b>	<b>15,880</b>	<b>13,260</b>	<b>429</b>	<b>60,424</b>	<b>130,763</b>

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

	Share capital \$'000	General reserve \$'000	Available- for-sale investment reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 April 2006	40,770	16,880	21,242	157	70,882	149,931
Net valuation loss taken to equity	-	-	(1,961)	-	-	(1,961)
Foreign currency translation differences	-	-	-	(143)	-	(143)
Net losses not recognised in profit and loss accounts	-	-	(1,961)	(143)	-	(2,104)
Net profit	-	-	-	-	2,267	2,267
Total recognised gains/(losses) for the quarter ended 30 June 2006	-	-	(1,961)	(143)	2,267	163
Dividend for Year 2005	-	-	-	-	(4,892)	(4,892)
<b>Balance at 30 June 2006</b>	<b>40,770</b>	<b>16,880</b>	<b>19,281</b>	<b>14</b>	<b>68,257</b>	<b>145,202</b>
Balance at 1 April 2005	40,770	15,880	13,999	263	59,229	130,141
Net valuation loss taken to equity	-	-	(739)	-	-	(739)
Foreign currency translation differences	-	-	-	166	-	166
Net (losses)/gains not recognised in profit and loss accounts	-	-	(739)	166	-	(573)
Net profit	-	-	-	-	6,087	6,087
Total recognised gains/(losses) for the quarter ended 30 June 2005	-	-	(739)	166	6,087	5,514
Dividend for Year 2004	-	-	-	-	(4,892)	(4,892)
<b>Balance at 30 June 2005</b>	<b>40,770</b>	<b>15,880</b>	<b>13,260</b>	<b>429</b>	<b>60,424</b>	<b>130,763</b>

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**4. COMPANY STATEMENT OF CHANGES IN EQUITY**

	Share capital	General reserve	Available- for-sale investment reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2006	40,770	16,880	17,871	61,791	137,312
Net valuation gain taken to equity	-	-	1,410	-	1,410
Net gains not recognised in profit and loss accounts	-	-	1,410	-	1,410
Net profit	-	-	-	9,362	9,362
Total recognised gains for six months ended 30 June 2006	-	-	1,410	9,362	10,772
Dividend for Year 2005	-	-	-	(4,892)	(4,892)
<b>Balance at 30 June 06</b>	<b>40,770</b>	<b>16,880</b>	<b>19,281</b>	<b>66,261</b>	<b>143,192</b>
Balance at 1 January 2005					
- as previously reported	40,770	15,880	-	44,637	101,287
- effect of adopting FRS 39	-	-	13,150	9,354	22,504
- as restated	40,770	15,880	13,150	53,991	123,791
Net valuation gain taken to equity	-	-	110	-	110
Net gains not recognised in profit and loss accounts	-	-	110	-	110
Net profit	-	-	-	9,702	9,702
Total recognised gains for six months ended 30 June 2005	-	-	110	9,702	9,812
Dividend for Year 2004	-	-	-	(4,892)	(4,892)
<b>Balance at 30 June 2005</b>	<b>40,770</b>	<b>15,880</b>	<b>13,260</b>	<b>58,801</b>	<b>128,711</b>

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**4. COMPANY STATEMENT OF CHANGES IN EQUITY (Cont'd)**

	Share <u>capital</u> \$'000	General <u>reserve</u> \$'000	Available- for-sale <u>investment</u> <u>reserve</u> \$'000	Retained <u>profits</u> \$'000	<u>Total</u> \$'000
Balance at 1 April 2006	40,770	16,880	21,242	68,883	147,775
Net valuation loss taken to equity	-	-	(1,961)	-	(1,961)
Net losses not recognised in profit and loss accounts	-	-	(1,961)	-	(1,961)
Net profit	-	-	-	2,270	2,270
Total recognised gains/(losses) for the quarter ended 30 June 2006	-	-	(1,961)	2,270	309
Dividend for Year 2005	-	-	-	(4,892)	(4,892)
Balance at 30 June 2006	<b>40,770</b>	<b>16,880</b>	<b>19,281</b>	<b>66,261</b>	<b>143,192</b>
Balance at 1 April 2005	40,770	15,880	13,999	57,573	128,222
Net valuation loss taken to equity	-	-	(739)	-	(739)
Net losses not recognised in profit and loss accounts	-	-	(739)	-	(739)
Net profit	-	-	-	6,120	6,120
Total recognised gains/(losses) for the quarter ended 30 June 2005	-	-	(739)	6,120	5,381
Dividend for Year 2004	-	-	-	(4,892)	(4,892)
Balance at 30 June 2005	<b>40,770</b>	<b>15,880</b>	<b>13,260</b>	<b>58,801</b>	<b>128,711</b>

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## 5. CASH FLOW STATEMENT

	<b>Group</b>			
	<b>1st Half</b>	1st Half	<b>2nd Qtr</b>	2nd Qtr
	<b><u>2006</u></b>	<u>2005</u>	<b><u>2006</u></b>	<u>2005</u>
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	11,739	12,553	2,799	7,996
Adjustments for :				
Foreign currency difference on reserve for unexpired risks	(9)	6	(4)	5
Increase/(decrease) in reserve for unexpired risks (net of deferred acquisition cost)	2,155	2,647	452	(19)
Depreciation	182	180	91	90
Realised gains on investments at fair value through profit or loss	(3,316)	(2,575)	(1,349)	(2,592)
Realised gains on available-for-sale investments	-	(228)	-	(228)
Unrealised losses/(gains) on investments at fair value through profit or loss	2,230	(3,146)	4,951	(1,346)
Gross dividends from investments	(2,529)	(1,942)	(2,269)	(1,545)
Interest income	(1,881)	(1,273)	(999)	(683)
Exchange differences	404	(253)	168	(292)
Operating cash flow before working capital change	<b>8,975</b>	5,969	<b>3,840</b>	1,386
Changes in working capital :				
Trade and other receivables	(5,864)	(2,031)	8,008	10,013
Creditors and claims	11,354	8,106	(2,201)	(4,336)
Amount owing by related companies	52	-	-	-
Amount owing to related companies	(113)	-	(113)	-
Cash generated from operations	<b>14,404</b>	12,044	<b>9,534</b>	7,063
Tax paid	<b>(2,621)</b>	(1,182)	<b>(2,621)</b>	(1,158)
<b>Net Cash Inflow From Operating Activities</b>	<b>11,783</b>	10,862	<b>6,913</b>	5,905
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments at fair value through profit or loss	<b>13,600</b>	15,695	<b>6,163</b>	7,242
Proceeds from sale of available-for-sale investments	-	281	-	281
Purchase of investments at fair value through profit or loss	<b>(7,019)</b>	(19,593)	<b>(4,605)</b>	(12,866)
Purchase of available-for-sale investments	<b>(1,308)</b>	-	<b>(1,308)</b>	-
Purchase of fixed assets	<b>(15)</b>	(1)	<b>(13)</b>	(1)
Gross dividends from investments	<b>2,529</b>	1,942	<b>2,269</b>	1,545
Interest income	<b>1,881</b>	1,273	<b>999</b>	683
<b>Net Cash Inflow/(Outflow) From Investing Activities</b>	<b>9,668</b>	(403)	<b>3,505</b>	(3,116)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>				
Dividend paid	<b>(4,892)</b>	(4,892)	<b>(4,892)</b>	(4,892)
<b>Cash Outflow From Financing Activity</b>	<b>(4,892)</b>	(4,892)	<b>(4,892)</b>	(4,892)
Translation difference on foreign subsidiary company	<b>(344)</b>	210	<b>(143)</b>	166
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,215</b>	5,777	<b>5,383</b>	(1,937)
Cash and cash equivalents at beginning of period	<b>73,303</b>	57,551	<b>83,923</b>	65,218
Effects of exchange rate changes on cash and cash equivalents	<b>(362)</b>	226	<b>(150)</b>	273
<b>Cash and cash equivalents at end of period</b>	<b>89,156</b>	63,554	<b>89,156</b>	63,554

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## **6. 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.

## **7. REVIEW OF PERFORMANCE**

Despite the continued expansion of business, gross premiums written decreased by S\$1.02 million or 2.4% to S\$41.12 million as compared with those of the corresponding period last year due mainly to premium rate erosion across the board arising from intense competition.

Underwriting profit increased by S\$1.42 million or 27.2% to S\$6.64 million due partly to negative premium reserve strain but mainly to improvement in net commission. A large part of the improvement was attributable to higher profit commission recovered from reinsurers in respect of business ceded in prior years. This is a reflection of the effectiveness of the reinsurance program and the consistent profitability of most classes of business underwritten. Non-underwriting income decreased by S\$2.23 million or 30.5% to S\$5.10 million largely due to unrealised losses on investments classified as "Fair Value Through Profit & Loss" securities under the accounting standard FRS39 – "Financial Instruments : Recognition and Measurement" in the current period as compared to unrealised gains in the corresponding period last year.

In the 1st half of 2005, a provision of S\$1.5 million was made for valuation adjustment arising from the Scheme for Transfer involving the Company and Overseas Union Insurance, Limited, but a similar provision was deemed unnecessary for the 1st half of 2006.

Overall, profit before tax decreased by S\$0.81 million or 6.5% to S\$11.74 million due to lower 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 30 June 2006 and the date of this announcement which is likely to affect substantially the results of the Company and the Group for the current financial period.

## **8. PROSPECTS FOR THE NEXT REPORTING PERIOD AND THE NEXT 12 MONTHS**

Intense competition will continue to adversely affect premium growth as rates erosion will likely worsen in view of the recent decision of the General Insurance Association of Singapore to rescind the market agreement which capped agency commission rates for statutory classes of business such as workmen's compensation and motor. The volatility in the stock markets will continue to pose a challenge to non-underwriting income. Notwithstanding these challenges, the Company expects to remain profitable and competitive.

## **9. 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 first half year ended 30 June 2006 are the same as those adopted in the audited financial statements for the financial year ended 31 December 2005.



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**10. DIVIDEND**

The Directors are pleased to declare an interim dividend of 5 cents per share less 20% Singapore income tax (2005 interim dividend: 5 cents per share less 20% Singapore income tax) in respect of the financial year ending 31 December 2006. The total net interim dividend would amount to S\$1.63 million. The dividend will be paid on 28 August 2006.

**11. CLOSURE OF BOOKS**

Notice is hereby given that the Share Transfer Books and the Register of Members of the Company will be closed from 17 August 2006 to 18 August 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 16 August 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 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 31st day of July 2006