

**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 2006**

	<b>Group</b>		<b>Incr/ (Decr) %</b>
	<b>2006 \$'000</b>	<b>2005 \$'000</b>	
(a) Gross premiums written	<b>67,430</b>	<b>65,782</b>	2.5
Net earned premiums	<b>20,004</b>	20,925	(4.4)
Less/(Add) :			
Net claims incurred	<b>8,316</b>	10,121	(17.8)
Net commissions	<b>(5,985)</b>	(5,468)	9.5
Management expenses :			
Staff cost	<b>4,831</b>	4,567	5.8
Rental expenses	<b>470</b>	453	3.8
Management fees	<b>109</b>	141	(22.7)
Depreciation	<b>350</b>	360	(2.8)
Foreign exchange loss/(gain)	<b>12</b>	(5)	NM
Other operating expenses	<b>111</b>	(195)	NM
Underwriting profit	<b>11,790</b>	10,951	7.7
Gross dividends from investments	<b>3,820</b>	3,481	9.7
Interest income	<b>3,979</b>	2,782	43.0
Miscellaneous income	<b>13</b>	80	(83.8)
Realised gains on investments at fair value through profit or loss	<b>3,778</b>	2,583	46.3
Realised gains on available-for-sale investments	<b>77</b>	228	(66.2)
Unrealised gains on investments at fair value through profit or loss	<b>4,331</b>	5,590	(22.5)
Less/(Add) :			
Management expenses not charged to insurance revenue account:			
Management fees	<b>453</b>	440	3.0
Other operating expenses	<b>244</b>	271	(10.0)
Exchange differences	<b>(94)</b>	(2)	NM
Profit before tax	<b>27,185</b>	24,986	8.8
Less: Tax expense	<b>4,851</b>	4,320	12.3
Net profit	<b>22,334</b>	20,666	8.1

Note : NM = Not Meaningful

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**1. AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont'd)**

	<u>Group</u>		<u>Incr/ (Decr)</u> %
	<u>2006</u> \$'000	<u>2005</u> \$'000	
(b) Gross premium income			
6 months ended 30 June	41,119	42,143	(2.4)
6 months ended 31 December	26,311	23,639	11.3
	<u>67,430</u>	<u>65,782</u>	2.5
(c) Net profit after tax			
6 months ended 30 June	9,424	9,734	(3.2)
6 months ended 31 December	12,910	10,932	18.1
	<u>22,334</u>	<u>20,666</u>	8.1
(d) Net earnings per share (cents)	54.8	50.7	

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## 2. BALANCE SHEET

	<u>Group</u>		<u>Company</u>	
	<u>31-Dec-06</u>	<u>31-Dec-05</u>	<u>31-Dec-06</u>	<u>31-Dec-05</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(a) Share capital - Issued & fully paid	<b>40,770</b>	40,770	<b>40,770</b>	40,770
Reserves	<b>122,312</b>	98,834	<b>120,347</b>	96,542
	<b>163,082</b>	139,604	<b>161,117</b>	137,312
Deferred tax liabilities	<b>6,716</b>	4,685	<b>6,716</b>	4,685
Gross Technical balances				
Reserve for unexpired risks	<b>30,453</b>	29,245	<b>29,700</b>	28,350
Provision for outstanding claims	<b>99,268</b>	95,378	<b>97,612</b>	93,964
	<b>129,721</b>	124,623	<b>127,312</b>	122,314
Current liabilities				
Insurance creditors	<b>9,352</b>	7,587	<b>9,092</b>	7,312
Non-trade creditors & accrued liabilities	<b>3,691</b>	2,991	<b>3,629</b>	2,947
Deferred acquisition cost - reinsurers' share	<b>4,736</b>	4,466	<b>4,618</b>	4,324
Amount owing to related companies - non-trade	<b>116</b>	113	<b>116</b>	113
Tax payables	<b>7,598</b>	5,865	<b>7,620</b>	5,865
	<b>25,493</b>	21,022	<b>25,075</b>	20,561
Total equity and liabilities	<b>325,012</b>	289,934	<b>320,220</b>	284,872
Fixed assets	<b>529</b>	795	<b>529</b>	795
Investment in subsidiary	-	-	<b>4,940</b>	4,940
Available-for-sale investments	<b>51,066</b>	36,293	<b>51,066</b>	36,293
Non-current debtors	<b>35</b>	56	<b>35</b>	56
Statutory deposit	<b>500</b>	500	<b>500</b>	500
Unsecured term loan	<b>29</b>	31	<b>29</b>	31
Reinsurers' share of technical balances				
Reserve for unexpired risks	<b>17,288</b>	16,031	<b>16,718</b>	15,371
Provision for outstanding claims	<b>56,540</b>	54,332	<b>55,159</b>	53,050
	<b>73,828</b>	70,363	<b>71,877</b>	68,421
Current assets				
Insurance debtors	<b>8,389</b>	6,430	<b>8,059</b>	6,095
Non-trade debtors and accrued interest receivable	<b>1,254</b>	901	<b>1,249</b>	897
Amount owing by related companies	<b>30</b>	52	<b>106</b>	144
Deferred acquisition cost - gross	<b>3,541</b>	3,486	<b>3,378</b>	3,274
Investments at fair value through profit or loss	<b>112,229</b>	97,724	<b>112,229</b>	97,724
Cash and cash equivalents	<b>73,582</b>	73,303	<b>66,223</b>	65,702
	<b>199,025</b>	181,896	<b>191,244</b>	173,836
Total assets	<b>325,012</b>	289,934	<b>320,220</b>	284,872
(b) Net asset value per share (S\$)	<b>4.00</b>	3.42	<b>3.95</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	-	-	8,252	-	-	8,252
Foreign currency translation differences	-	-	-	(585)	-	(585)
Net gains/(losses) not recognised in profit and loss accounts	-	-	8,252	(585)	-	7,667
Net profit	-	-	-	-	22,334	22,334
Total recognised gains/(losses) for the financial year	-	-	8,252	(585)	22,334	30,001
Transfer from retained profits	-	1,000	-	-	(1,000)	-
Dividend for Year 2005	-	-	-	-	(4,892)	(4,892)
Dividend for Year 2006	-	-	-	-	(1,631)	(1,631)
Balance at 31 December 2006	<b>40,770</b>	<b>17,880</b>	<b>26,123</b>	<b>(227)</b>	<b>78,536</b>	<b>163,082</b>
Balance at 1 January 2005	40,770	15,880	-	219	46,228	103,097
- as previously reported	-	-	17,150	-	4,354	21,504
- effect of adopting FRS 39	40,770	15,880	17,150	219	50,582	124,601
- as restated	-	-	721	-	-	721
Net valuation gain taken to equity	-	-	-	139	-	139
Foreign currency translation differences	-	-	721	139	-	860
Net gains not recognised in profit and loss accounts	-	-	-	-	20,666	20,666
Net profit	-	-	721	139	20,666	21,526
Total recognised gains for the financial year	-	-	-	-	(1,000)	-
Transfer from retained profits	-	1,000	-	-	(4,892)	(4,892)
Dividend for Year 2004	-	-	-	-	(1,631)	(1,631)
Dividend for Year 2005	-	-	-	-	-	-
Balance at 31 December 2005	<b>40,770</b>	<b>16,880</b>	<b>17,871</b>	<b>358</b>	<b>63,725</b>	<b>139,604</b>

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

	Share <u>capital</u> \$'000	General <u>reserve</u> \$'000	Available- for-sale investment <u>reserve</u> \$'000	Retained <u>profits</u> \$'000	<u>Total</u> \$'000
Balance at 1 January 2006	40,770	16,880	17,871	61,791	137,312
Net valuation gain taken to equity	-	-	8,252	-	8,252
Net gains not recognised in profit and loss accounts	-	-	8,252	-	8,252
Net profit	-	-	-	22,076	22,076
Total recognised gains for the financial year	-	-	8,252	22,076	30,328
Transfer from retained profits	-	1,000	-	(1,000)	-
Dividend for Year 2005	-	-	-	(4,892)	(4,892)
Dividend for Year 2006	-	-	-	(1,631)	(1,631)
Balance at 31 December 2006	<b>40,770</b>	<b>17,880</b>	<b>26,123</b>	<b>76,344</b>	<b>161,117</b>
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	<b>40,770</b>	<b>16,880</b>	<b>17,871</b>	<b>61,791</b>	<b>137,312</b>

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**5. CASH FLOW STATEMENT**

	<u>Group</u>	
	<u>2006</u>	<u>2005</u>
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	27,185	24,986
Adjustments for:		
Foreign currency difference on reserve for unexpired risks (net of deferred acquisition cost)	(13)	4
Foreign currency difference on provision for outstanding claims	(11)	1
Movement in net reserve for unexpired risks (net of movement in net deferred acquisition cost)	179	(1,054)
Movement in net outstanding claims	1,693	1,863
Depreciation	350	360
Realised gains on available-for-sale investments	(77)	(228)
Realised gains on investments at fair value through profit or loss	(3,778)	(2,583)
Unrealised gains on investments at fair value through profit or loss	(4,331)	(5,590)
Gross dividends from investments	(3,820)	(3,481)
Interest income	(3,979)	(2,782)
Exchange differences	514	(165)
Operating profit before working capital change	13,912	11,331
Changes in working capital:		
Trade and other receivables	(2,291)	628
Trade and other payables	2,465	(1,200)
Amount owing by related companies	22	(48)
Amount owing to related companies	3	13
Cash generated from operations	14,111	10,724
Tax paid	(3,150)	(2,237)
<b>Net cash flow from operating activities</b>	<b>10,961</b>	<b>8,487</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments at fair value through profit or loss	27,881	34,635
Proceeds from sale of available-for-sale investments	1,944	281
Purchase of investments at fair value through profit or loss	(34,174)	(26,316)
Purchase of available-for-sale investments	(6,325)	-
Purchase of fixed assets	(84)	(100)
Unsecured term loan	2	3
Gross dividends from investments	3,820	3,481
Interest income	3,979	2,782
<b>Net cash flow (used in)/from investing activities</b>	<b>(2,957)</b>	<b>14,766</b>

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**5. CASH FLOW STATEMENT (Cont'd)**

	<u>Group</u>	
	<u>2006</u>	<u>2005</u>
	\$'000	\$'000
<b>Cash flow from financing activity</b>		
Dividend paid	<u>(6,523)</u>	<u>(6,523)</u>
<b>Cash flow used in financing activity</b>	<u>(6,523)</u>	<u>(6,523)</u>
Translation difference on foreign subsidiary company	<u>(585)</u>	<u>139</u>
<b>Net increase in cash and cash equivalents</b>	<u>896</u>	<u>16,869</u>
Cash and cash equivalents at beginning of year	<u>73,303</u>	<u>56,284</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(617)</u>	<u>150</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>73,582</u></u>	<u><u>73,303</u></u>

**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**

Gross premiums increased by 2.5% to S\$67.43 million as compared with that of S\$65.78 million achieved for the preceding year. The marginal growth came mainly from parent bank's increased business activities in the region. Had it not been for the loss of premium in Singapore resulting from intensified competition in Singapore, the growth would have been more significant. As commented on in preceding quarter, certain organic growth in premium traditionally taken for granted in the past from renewal of existing business had largely disappeared under prevailing competitive condition.

Notwithstanding the more difficult operating environment, underwriting profit rose nevertheless by a satisfactory 7.7% to a record high of S\$11.79 million due to lower net claims incurred and higher net commissions gained, reflecting the underlying strength of the Company's risk portfolio.

Non-underwriting income also increased significantly by 9.7% and to a record high of S\$15.40 million attributed to improved interest and dividend earnings.

Overall profit before tax increased by 8.8% to a new high of S\$27.19 million due to strong contribution from both underwriting profit and non-underwriting 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 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 year.

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

On the face of it, the strong Singapore economy will be conducive to further growth in the insurance industry. However, the continued intensified competition and higher operating costs in an even more liberalized financial sector will likely have an adverse impact upon the premium rates, market share of each player and ultimately underwriting margins. Consequently, growth at home for the Company will be challenging. For any meaningful development in the short to medium term, the Company will have to look elsewhere particularly by leveraging on the parent bank's outward expansion and other offshore sources.

With continued adherence to our time tested emphasis on judicious risk management at the operating levels, the Company's profitability should continue with meaningful contributions from both underwriting and investment.

#### **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 year ended 31 December 2006 are the same as those adopted in the preceding year.

#### **10. DIVIDEND**

The Directors recommend the payment of a final dividend of 15 cents per share (2005 final dividend: 15 cents per share) less 18% Singapore income tax in respect of the financial year ended 31 December 2006.

Together with the interim dividend of 5 cents per share paid previously, the total dividend for the financial year ended 31 December 2006 would be 20 cents per share (2005: 20 cents per share) amounting to a total net dividend payment of S\$6.6 million (2005: S\$6.5 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend will be paid on 22 May 2007.

#### **11. 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 2007, the Share Transfer Books and the Register of Members of the Company will be closed from 10 May 2007 to 11 May 2007, both dates inclusive for the preparation of dividend warrants. Registrable transfers received by the Company's Registrar, Lim Associates (Pte) Ltd at 3 Church Street, #08-01, Samsung Hub, Singapore 049483, up to 5.00 pm on 9 May 2007 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 26th day of February 2007