RIGHT ON COURSE

UNITED OVERSEAS INSURANCE LIMITED

(A SUBSIDIARY OF UNITED OVERSEAS BANK LIMITED)

Annual Report 2007

UNITED OVERSEAS INSURANCE LIMITED

(INCORPORATED IN SINGAPORE)

AND ITS SUBSIDIARY

CONTENTS

All figures in this Annual Report are in Singapore Dollars unless otherwise specified.

OUR MISSION

To provide appropriate risk management solutions for selected market segments which will result in enhanced customer experience.

BRIEF PROFILE

Founded in 1971, United Overseas Insurance Limited ("UOI") very quickly made its mark in the business community and, in just seven years, UOI was listed on the Singapore Exchange. UOI's profitable growth over the years reflects its financial strength and prudence. In 2004, Forbes Global put UOI on its list of 'Best under a Billion' companies that had under US$1 billion a year in revenue and five-year returns on capital of at least 5%. UOI was one of the six Singapore companies on the list of 100 of the best smaller-size enterprises in Asia Pacific and Europe.

The Group's principal activities are the underwriting of general insurance business and reinsurance. General insurance covers a broad spectrum of classes of insurance among which are fire, marine, motor, engineering, general accident and liability business.

The Management of the Group is located at 3 Anson Road, #28-01 Springleaf Tower, Singapore 079909, and its Singapore and international operations are supported by prominent insurance brokers, agents and international reinsurance companies. UOI has a representative office in Yangon, Myanmar.

Through its wholly-owned subsidiary, UOB Insurance (H.K.) Limited, the Group provides a complete range of general insurance services in Hong Kong.

UOI provides management services for Overseas Union Insurance, Limited.

CHAIRMAN'S STATEMENT

Wee Cho Yaw
Chairman

Singapore's gross domestic product grew by 7.7% in 2007 largely due to the expansion of the construction, transport, engineering and financial services sectors. In the local general insurance industry, the premium growth was derived from Construction-related and Motor insurances. These two classes of business have relatively higher risk exposures and lower underwriting margins than the Fire and selected General Accident classes of business written by the Company.

The Company ended the year with a record underwriting profit of $13.6 million due mainly to higher net retentions, prudent selection of risks and lower net incurred claims. On the investment front, the volatility of the stock markets caused by the sub-prime mortgage and collateralised debt obligation crisis and high oil prices had eroded investment earnings. The Company's investment profit was lower at $11.8 million as compared against the preceding period. As a consequence, the Company's net profit before tax was lower at $25.3 million against $26.9 million registered in 2006.

Gross premium increased by $4.1 million or 6.2% to $69.8 million due to growing income from intra-group synergies and offshore insurance markets. Although more business was secured, Fire insurance gross premium only rose marginally to $25.9 million, reflecting the intense rate erosion plaguing this class of business. The General Accident insurance gross premium rose by $3.2 million or 8.4% as the Company continued to reap benefits from the business strategies developed with the parent company for local and regional markets, particularly Malaysia and Thailand.

The Board proposes to transfer $1 million to General Reserve and recommends payment of a final one-tier tax-exempt dividend of 12 cents per share. Together with the interim dividend of 5 cents and bonus dividend of 85 cents per share less 18% income tax, the total dividend for the financial year 2007 would amount to 85.8 cents net of tax per share.

The Company's wholly-owned subsidiary in Hong Kong, UOB Insurance (H.K.) Limited, attained a profit before tax of $482,130 due to improvements in underwriting profit and other income.

CORPORATE DEVELOPMENTS

The Company had a rights issue in July 2007 to strengthen its capital base and take advantage of business expansion opportunities in Singapore and the region. We will continue to leverage our parent company's burgeoning regional franchise and invest in promising insurance ventures. Given the mature and small local market, the Company aims to broaden its premium revenue base and infuse more offshore insurance related business into its risk portfolio to diversify earnings.

2008 PROSPECTS

The Singapore economy is expected to slow down to between 4% and 6% in 2008. A US recession looms in the background and the full fallout from the sub-prime mortgage crisis has still to work its way through the financial system. Oil prices and financial volatility will remain key concerns.

Within the industry, intense competition and higher operating costs will continue to put further pressure on the already thin underwriting margins. The Company's prudent underwriting policy coupled with judicious risk management and the strong intra-group business support should put the Group in good stead to face the challenges ahead. Revenue and profit contributions from overseas markets will be gradually built up as the Company steps up its portfolio diversification by selectively writing more offshore businesses.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to thank management and staff for their dedication and hard work throughout the year. My thanks are also extended to our clients, brokers, agents, reinsurers and shareholders for their steadfast support. I also wish to express my gratitude to my colleagues on the Board for their invaluable counsel.

Wee Cho Yaw
Chairman

March 2008

FINANCIAL HIGHLIGHTS

	The Group		
Key indicators	**2007**	**2006**	**Increase/ decrease**
Profit for the financial year ($'000)			
Gross premiums	**71,282**	67,430	5.7%
Insurance underwriting profit	**13,769**	11,790	16.8%
Other income	**12,013**	15,395	-22.0%
Profit before tax	**25,782**	27,185	-5.2%
Selected balance sheet items as at year-end ($'000)			
Total assets	**374,409**	325,012	15.2%
Net technical reserves	**61,244**	57,088	7.3%
Shareholders' equity	**198,169**	163,082	21.5%
Financial ratios			
Earnings per share - basic and diluted (cents)	**36.1**	54.8	-34.1%
Return on average shareholders' equity (ROE) (%)	**11.8**	14.8	-3.0% point
Return on average total assets (ROA) (%)	**6.1**	7.3	-1.2% point
Expense/income ratio (%)	**24.5**	19.3	+5.2% point
Dividend per share (cents)			
Interim	**5.0**	5.0	-
Bonus	**85.0**	0.0	NM
Final	**12.0**	15.0	-20.0%
Net assets value per share ($)	**3.24**	4.00	-19.0%

Note: NM = Not Meaningful

Group gross premiums

2007: $71.28 million

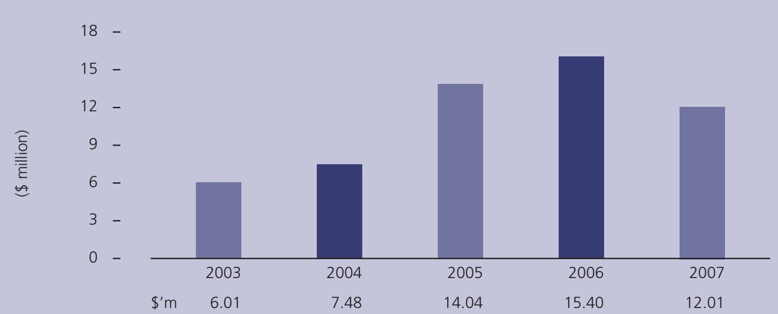
2006: $67.43 million

Group insurance underwriting profit

2007: $13.77 million

2006: $11.79 million

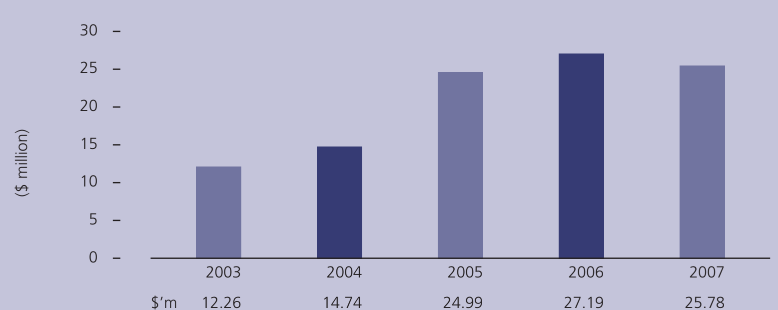
Group other income



2007: $12.01 million

2006: $15.40 million

Group profit before tax



2007: $25.78 million

2006: $27.19 million

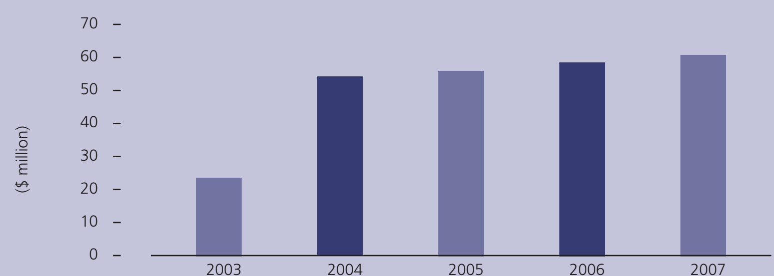
FINANCIAL HIGHLIGHTS

Group total assets

	2003	2004	2005	2006	2007
$'m	172.91	247.45	289.93	325.01	374.41

2007: $374.41 million
2006: $325.01 million

Group net technical reserves



	2003	2004	2005	2006	2007
$'m	23.20	54.43	55.24	57.09	61.24

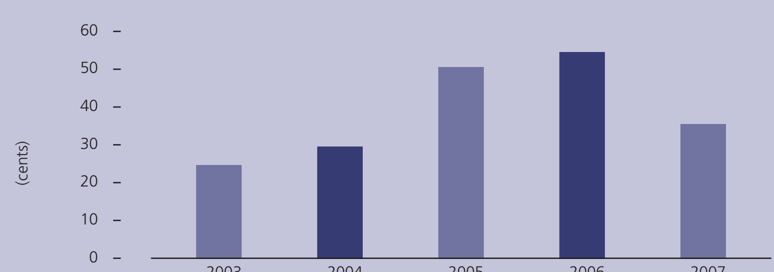
2007: $61.24 million
2006: $57.09 million

Group shareholders' equity

	2003	2004	2005	2006	2007
$'m	97.76	103.10	139.60	163.08	198.17

2007: $198.17 million
2006: $163.08 million

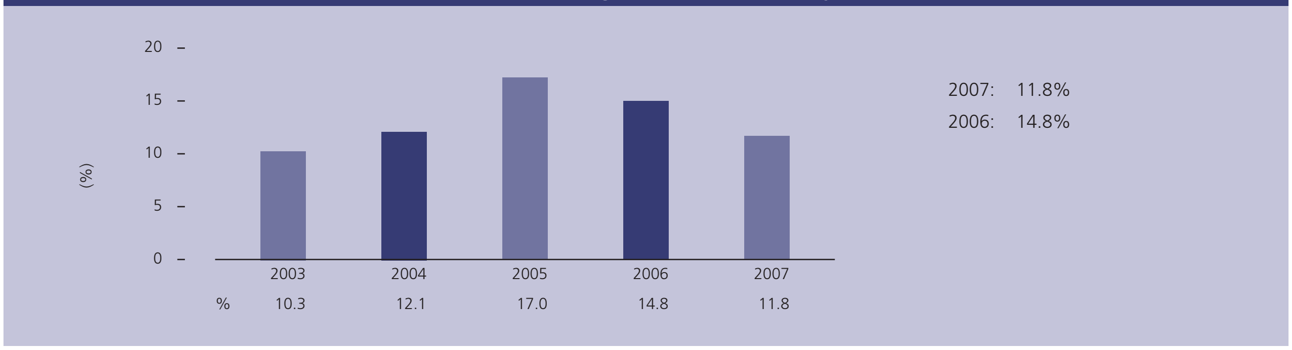
Group earnings per share – basic and diluted



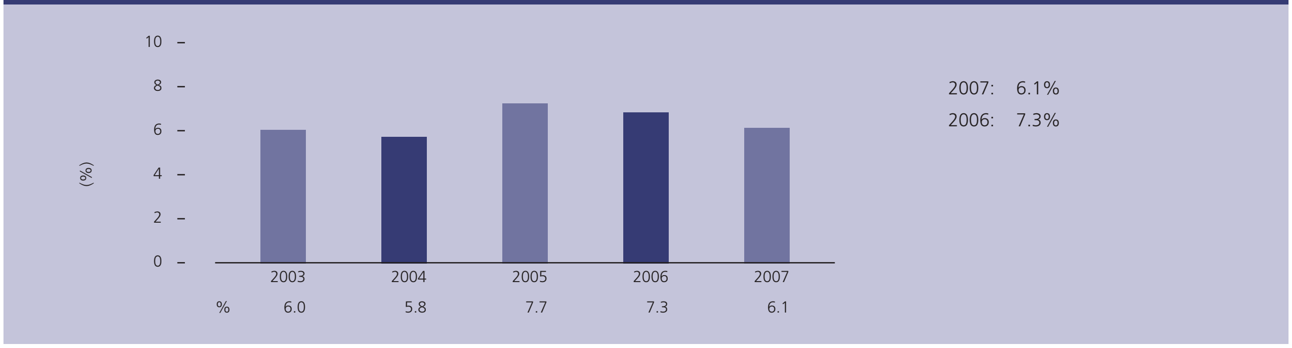
	2003	2004	2005	2006	2007
¢	24.3	29.8	50.7	54.8	36.1

2007: 36.1 cents
2006: 54.8 cents

Group return on average shareholders' equity ("ROE")

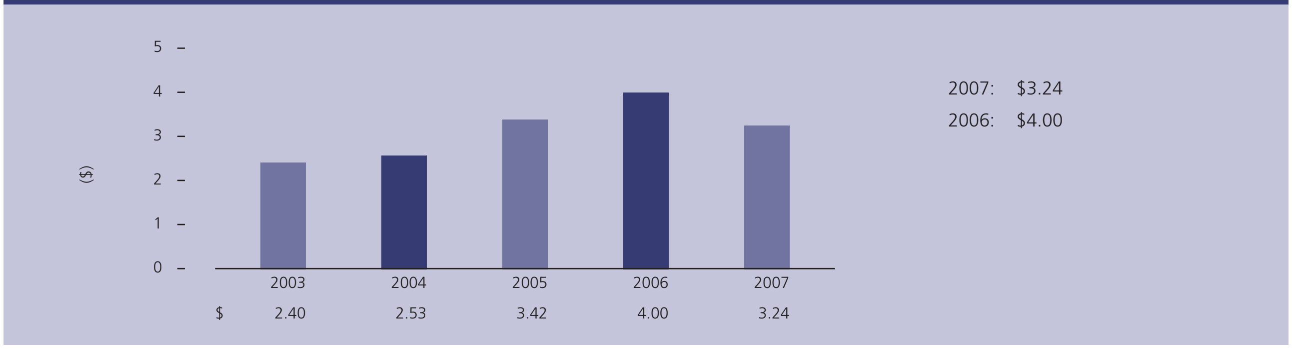


Group return on average total assets ("ROA")



Group dividend payment

Group net assets value per share



FINANCIAL REVIEW

Comparative Group Growth Data *(figures in $ million)*

	2003	2004	2005	2006	2007
Gross premiums	42.27	63.07	65.78	67.43	71.28
Shareholders’ equity	97.76	103.10	139.60	163.08	198.17
Total assets	172.91	247.45	289.93	325.01	374.41
Insurance underwriting profit	6.25	7.26	10.95	11.79	13.77

Over the last five years, the Group grew its gross premiums from $42.27 million in 2003 to $71.28 million in 2007. The sharp increase of income in 2004 was due largely to the Scheme for Transfer entered into by the Company with Overseas Union Insurance, Limited in that year.

The Group shareholders’ equity as at December 2007 rose by 21.5% to $198.17 million when compared against the preceding year. Over a five-year period, it grew by $100.41 million or 102.7% whilst the total assets of the Group saw a growth of 116.5% from $172.91 million in 2003 to stand at $374.41 million by the end of December 2007.

The Group achieved an underwriting profit of $13.77 million in 2007, an increase of 16.8% over that of 2006. Insurance underwriting profit for the Group showed a consistent growth from 2003 to 2007, from $6.25 million to $13.77 million.

CORPORATE INFORMATION

Board of Directors

Mr Wee Cho Yaw
Chairman

Mr David Chan Mun Wai
Managing Director

Mr Wee Ee Cheong
Mr Hwang Soo Jin
Mr Yang Soo Suan
Dr Lee Soo Ann

Audit Committee

Mr Yang Soo Suan
Chairman

Mr Hwang Soo Jin
Dr Lee Soo Ann

Nominating Committee

Mr Hwang Soo Jin
Chairman

Mr Wee Cho Yaw
Mr Yang Soo Suan

Remuneration Committee

Mr Wee Cho Yaw
Chairman

Mr Hwang Soo Jin
Mr Yang Soo Suan

Secretary

Mrs Vivien Chan

Assistant General Managers

Ms Faridah Rahmat Ali
(Underwriting)

Mr Tony Seah Eng Wah
*(Business Development/
Direct Marketing)*

Senior Managers

Ms Jean Tan Siok Gek
(Business Development)

Mr Andrew Tang Ming Leung
(Corporate Services)

Managers

Ms Nellie Tan Hwee Ngoh
(Corporate Services)

Ms Chia-Lim Siew Heah
(Corporate Services)

Mr Teo Hock Chye
(Business Development)

Ms Chia-Sie Lie Ming
(Claims)

Mr Stanley Ler Seow Meng
(Business Development)

Deputy Manager

Ms Veronica Sim Bee Heng
(Corporate Services)

Assistant Managers

Ms Ng Hoe
(Corporate Services)

Ms Wong-Suzy Tan Lay Hua
(Claims)

Ms Ng Sze Theng
(Information System)

Ms Lim Kok Hong
(Underwriting)

Ms Diana Leow Dan Liang
(Underwriting)

Ms Lee-Lim Bee Geok
(Underwriting)

Business Address

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#28-01 Springleaf Tower
Singapore 079909
Telephone: (65) 6222 7733
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Email: ContactUs@uoi.com.sg
Website: www.uoi.com.sg

Registered Office

80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No.:
197100152R
Telephone: (65) 6533 9898
Facsimile: (65) 6534 2334

Share Registrar

Boardroom Corporate &
Advisory Services Pte Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483
Telephone: (65) 6536 5355
Facsimile: (65) 6536 1360

Auditors

Ernst & Young
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge:
Mr Mak Keat Meng
(Appointed on 29 April 2004)

Subsidiary

UOB Insurance (H.K.) Limited
16/F Worldwide House
19 Des Voeux Road Central
Hong Kong
Telephone: (852) 3606 9933
Facsimile: (852) 2810 0225

Myanmar Representative Office

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Corner of Mahar Bandoola Street &
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Kyauktada Township
Yangon
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Telephone: (95)(1) 392 917
Facsimile: (95)(1) 392 916

BOARD OF DIRECTORS

Mr Wee Cho Yaw
Chairman
Age 79. Mr Wee is a career banker with more than 40 years of experience.

He is the Chairman of United Overseas Insurance since 1971. He was appointed to the Board on 17 February 1971 and last re-appointed as a Director on 27 April 2007. A non-independent and non-executive Director, he is the Chairman of the Remuneration Committee and member of the Nominating Committee.

Mr Wee is the Chairman of United Overseas Bank ("UOB") and its subsidiaries, Far Eastern Bank, United Overseas Bank (Malaysia) and United Overseas Bank (Thai) Public Company, President Commissioner of PT Bank UOB Indonesia and PT Bank UOB Buana, and Supervisor of United Overseas Bank (China). He is also the Chairman of United International Securities, Haw Par Corporation, UOL Group, Hotel Plaza, United Industrial Corporation, and Singapore Land and its subsidiary, Marina Centre Holdings. He is the former Chairman of Overseas Union Enterprise.

The Businessman Of The Year award was conferred twice on Mr Wee at the Singapore Business Awards in 2001 and 1990. In 2006, he received the inaugural Credit Suisse – Ernst & Young Lifetime Achievement Award for his outstanding achievements in the Singapore business community. Mr Wee is the Honorary President of the Singapore Chinese Chamber of Commerce & Industry and Pro-Chancellor of Nanyang Technological University. He received Chinese high school education.

Mr Wee Ee Cheong
Age 55. Mr Wee is a professional banker with more than 20 years of experience.

Mr Wee was appointed to the Board on 20 March 1991 and last re-elected as a Director on 27 April 2006. A non-independent and non-executive Director, he is the Deputy Chairman and Chief Executive Officer of UOB and is a director of several UOB subsidiaries and affiliates, including Far Eastern Bank, United Overseas Bank (Malaysia), United Overseas Bank (Thai) Public Company and United International Securities. He is the Chairman of United Overseas Bank (China) and a Commissioner of PT Bank UOB Buana.

He serves as a director of the Institute of Banking & Finance, and council member of the Association of Banks in Singapore and Singapore Chinese Chamber of Commerce & Industry. He is a member of the Board of Governors of the Singapore-China Foundation. He is also a member of the India-Singapore CEO Forum and Advisory Board of the INSEAD East Asia Council. He is the former Deputy Chairman of Housing & Development Board, and the former director of Port of Singapore Authority, UOL Group, Hotel Plaza and Visa International (Asia Pacific).

Mr Wee holds a Bachelor of Science (Business Administration) and a Master of Arts (Applied Economics) from The American University, Washington DC.

Mr David Chan Mun Wai
Managing Director & Principal Officer
Age 54. Mr Chan is a professional insurer with more than 25 years of experience.

He was appointed to the Board on 10 March 1994 and last re-elected as a Director on 27 April 2007. An executive Director, he is the Deputy Chairman, Director and member of the Executive Committee of Singapore Reinsurance Corporation. He is also the former President of the General Insurance Association of Singapore.

Mr Chan is a Chartered Insurer and Fellow of the Chartered Insurance Institute and holds a Bachelor of Business Administration from the University of Singapore.

Mr Hwang Soo Jin
Age 72. Mr Hwang is a Chartered Insurer with more than 40 years of professional experience.

He was appointed to the Board on 17 February 1971 and last re-appointed as a Director on 27 April 2007. An independent Director, Mr Hwang is the Chairman of the Nominating Committee and member of the Audit and Remuneration Committees.

He is the Chairman Emeritus, Director and Senior Advisor of Singapore Reinsurance Corporation and a director of Haw Par Corporation, United Industrial Corporation and Singapore Land. He is also a Justice of Peace, Adviser to the Asean Insurance Council and an Honorary Fellow of the Singapore Insurance Institute. He is the former Director of Lee Kim Tah Holdings and the former Chairman of the Public Accounts Committee of the Parliament of Singapore.

He is a Chartered Insurer of the Chartered Insurance Institute, UK.

Mr Yang Soo Suan
Age 71. Mr Yang is an architect by training with more than 43 years of professional experience.

He was appointed to the Board on 20 March 1991 and last re-appointed as a Director on 27 April 2007. An independent Director, he is the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. He is a director of United International Securities and RSP Architects Planners & Engineers. He is a fellow member of the Singapore Institute of Architects and Singapore Society of Project Managers, and a member of the Singapore Institute of Directors. He is the former Chairman of Architects 61 and National Fire Prevention Council. He is also a former board member of the Housing & Development Board and the Board of Architects, and the former President of the Singapore Institute of Architects.

Mr Yang holds a Bachelor of Architecture (Honours) in Design, Town Planning and Building from Melbourne University, Australia and was awarded the Bintang Bakti Masyarakat (Public Service Star, Singapore) in 1996.

Dr Lee Soo Ann
Age 69. Dr Lee is an economist in the government and academia with more than 40 years of experience.

He was appointed to the Board on 16 February 2000 and last re-elected as a Director on 29 April 2004. An independent Director, he is a member of the Audit Committee. He is also a director of United International Securities and AGF Asia Asset Management, Fellow of the Singapore Institute of Directors and Senior Fellow in the Department of Economics, National University of Singapore. He is a former board member of the Port of Singapore Authority, Jurong Town Corporation, National Productivity Board and Science Council of Singapore.

Dr Lee is the former Dean of Accountancy and Business Administration and former Director of the School of Management in the National University of Singapore.

He holds a Bachelor of Arts (Honours) in Economics from The University of Malaya in Singapore, a Master of Arts (with Distinction) in Development Economics from Williams College, Massachusetts, a Master of Christian Studies from Regent College, Vancouver and a Doctor of Philosophy from the University of Singapore.

CORPORATE GOVERNANCE

The Company observes high governance standards. The Board is guided by the recommendations and principles of the Singapore Code of Corporate Governance 2005 ("Code") and the Guidelines On Corporate Governance For Banks, Financial Holding Companies and Direct Insurers issued by the Monetary Authority of Singapore ("MAS Guidelines on Corporate Governance").

This statement describes the Company's corporate governance policies and practices.

Board's Conduct of its Affairs
The Board sets strategic direction for the Company and provides entrepreneurial leadership. In addition, the Board:
- reviews and approves business plans and budgets;
- monitors financial performance;
- determines capital structure;
- declares dividends;
- approves major acquisitions and divestments;
- reviews risk management framework; and
- sets company values and standards.

The Nominating Committee, the Remuneration Committee and the Audit Committee are three board committees that were formed to assist the Board in the discharge of its duties. The membership and duties and responsibilities of these committees are set out in the subsequent pages of this report. The Company does not need to have an executive committee of directors as the board of six members is available to help the Board deliberate on matters that arise between full board meetings.

The Board meets at least four times a year. It also meets whenever necessary to deal with any matter that requires urgent attention between scheduled meetings. To facilitate participation, facilities are available for directors to join in meetings via telephonic and/or video conference if they are unable to be physically present. Four board meetings were held last year and the directors' attendance record is set out on page 16.

To enable them to discharge their duties, the directors are provided with financial and operational reports before each board and committee meeting. The financial reports give detailed information on the Group's performance against budgeted results and explanations of any material variance. The directors may request additional information or seek clarification on any matter from management to whom they have direct access.

The Company has a budget for directors' educational and training needs. The budget is for meeting expenses of training courses and seminars which directors may wish to attend. New directors are given guidance on the duties and responsibilities of directors and relevant regulatory requirements.

The Company Secretary keeps the Board informed of relevant laws and regulations and on best practices in corporate governance. The directors may request that independent professional advice be obtained in respect of any of the Company's matters whenever they deem necessary.

Board Composition
There are three non-independent and three independent directors on the Board. The current Board members are:

Wee Cho Yaw *(Chairman)*	Non-executive & non-independent
David Chan Mun Wai *(Managing Director)*	Executive & non-independent
Wee Ee Cheong	Non-executive & non-independent
Yang Soo Suan	Independent
Dr Lee Soo Ann	Independent
Hwang Soo Jin	Independent

Mr Wee Cho Yaw, Chairman of the Board, provides leadership to the directors. He ensures that board meetings are held regularly and that the directors are provided with adequate and timely information.

Mr David Chan Mun Wai is the Managing Director and Principal Officer of the Company. He is responsible for the day-to-day running of the business of the Company and implements decisions of the Board.

The Board considers its present size of six members to be adequate, having regard to the nature and scale of the Company's operations. The Nominating Committee has assessed the specific qualities and skills of the directors and is of the view that they possess the necessary skills for the Company's business. All the directors are eminently qualified and two of them have extensive experience in the insurance industry.

One-third of the directors retires at every Annual General Meeting ("AGM") and is eligible for re-election. Mr Wee Cho Yaw, Mr Hwang Soo Jin and Mr Yang Soo Suan retire annually under Section 153(6) of the Companies Act and may be re-appointed by shareholders at the AGM.

Nominating Committee

Mr Hwang Soo Jin, an independent director, chairs the Nominating Committee ("NC") which comprises three directors, the majority of whom are independent. The names of the NC members are:

Hwang Soo Jin *(Chairman)*	Independent
Wee Cho Yaw	Non-independent
Yang Soo Suan	Independent

The NC reviews nominations for appointment and re-appointment of directors to the Board, board committees and key positions. Nominated candidates are assessed by the Board with reference to their background, experience, professional skills, personal qualities and availability of time to perform their duties as board members.

The directors' experience and qualifications are set out on pages 10 and 11.

Each year, the NC assesses the independence and performance of individual directors and the effectiveness of the whole Board. The NC bases its assessment on criteria such as directors' attendance record, overall preparedness, participation, candour and clarity in communication, strategic insight, financial literacy, business judgment and sense of accountability. The NC also considers the Company's financial performance in determining the Board's effectiveness.

The NC meets at least once a year.

Remuneration Committee

The members of the Remuneration Committee ("RC") are:

Wee Cho Yaw *(Chairman)*	Non-independent
Hwang Soo Jin	Independent
Yang Soo Suan	Independent

The RC reviews directors' remuneration, fees and allowances and gives its recommendation to the Board. RC members abstain from deliberations in respect of their own remuneration.

The Code and MAS Guidelines on Corporate Governance recommend that the chairman of a remuneration committee should be an independent and non-executive director. The Board is of the view that Mr Wee Cho Yaw is the best person to chair the Company's RC as he has wide experience on remuneration matters as chairman of the United Overseas Bank Group.

The RC meets at least once a year.

Each year, the Board recommends a sum to be paid as directors' fees for shareholders' approval. The sum is divided among the directors on the basis that those with additional duties as members or chairmen of board committees would receive a higher portion of the total fees.

The Company adopts a competitive performance-based remuneration policy. The Company does not disclose the remuneration of its top five executives as it considers such disclosure to be not in the best interest of the Company. The top five executives are remunerated competitively. No immediate family member (as defined in the Singapore Exchange's Listing Manual) of a director is in the employ of the Company and whose annual remuneration exceeds $150,000.

The fees and remuneration of the directors, in bands of $250,000, are disclosed on page 16.

Audit Committee
Mr Yang Soo Suan, an independent director, chairs the Audit Committee ("AC"). The AC comprises three directors, all of whom are independent. Their names are:

Yang Soo Suan *(Chairman)*	Independent
Hwang Soo Jin	Independent
Dr Lee Soo Ann	Independent

The AC's duties include reviewing the following:
- the financial statements;
- the internal and external audit plans and audit reports;
- the external auditors' evaluation of the system of internal accounting controls;
- the scope and results of the internal and external audit procedures;
- the adequacy of internal audit resources;
- the cost effectiveness, independence and objectivity of external auditors;
- the significant findings of internal audit investigations; and
- interested person transactions.

The internal and external auditors, the Managing Director and the Chief Financial Officer of its parent, United Overseas Bank Limited, attend all AC meetings. The AC reviews the Group's audited financial statements, the quality of the accounting principles that are applied and Management's judgement on items that might affect the financials. The AC would form a view on whether the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The AC regularly reviews the independence of the external auditors having regard to the financial, business and professional relationships between the external auditors and the Company, and whether any non-audit services had been provided by the external auditors to the Group. To assure their continued independent status, the external auditors re-affirm their independence and objectivity quarterly to the AC.

The AC nominates the external auditors for re-appointment annually. This year, the AC has nominated Messrs Ernst & Young for re-appointment at the forthcoming AGM.

Under its terms of reference, the AC has the power to conduct or authorise investigations into any matter concerning the Company. The AC is given adequate resources for the proper discharge of its duties.

Last year, the AC held four meetings. Separate meetings are held when necessary by the AC with the internal and external auditors and among the AC members themselves. Management is not present at these separate meetings.

The Company has an adequate system of internal controls. Oversight of the Company's internal control functions and risk management processes is undertaken by a committee comprising senior management staff and the Managing Director who chairs the meeting.

The AC reviews with the internal and external auditors, the evaluation of the Company's internal control systems and risk management processes, and reports the results of its review to the Board. The Board is reasonably assured from reports submitted to it that the internal control systems, including the financial, operational and compliance controls and risk management processes, are adequate for the Company's business as presently conducted.

Risk Management

The Risk Management and Compliance Committee ("RMCC"), comprising heads of departments, managerial staff and the Managing Director who chairs the RMCC, oversees the Company's risk management processes and compliance function. The results of the RMCC's work were reviewed by Internal Audit and found to be satisfactory.

The Internal Audit

The Internal Audit Division of its parent, United Overseas Bank Limited ("UOB Internal Audit") provides the internal audit function to the Company.

The head of UOB Internal Audit is responsible for the Company's internal audit. He reports primarily to the chairman of the AC and administratively to the chairman of the Board.

UOB Internal Audit has adopted the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC reviews the adequacy of the internal audit function and receives assurance that UOB Internal Audit has adequate resources to carry out the necessary audit functions for the Company.

Communication with Shareholders

Shareholders are kept informed of the Company's business and affairs through quarterly announcements of financial results and other relevant information released by the Company. The Company's announcements are posted on SGXNET, the website of the Singapore Exchange ("SGX"). The Company sends an annual report to shareholders and posts the same annual report on the SGX website. The Company does not practise selective disclosure of information.

The Board members are present at general meetings to answer questions from shareholders. A shareholder may appoint up to two proxies to attend and vote in his place at general meetings if he is unable to attend.

Related Party Transaction

During the year, the Company entered into the following interested person transaction within the meaning of Chapter 9 of the SGX Listing Manual.

Name of Interested Person	**Aggregate Value of All Interested Person Transactions During The Financial Year 2007 (Excluding Transactions Less Than $100,000 and Transactions Conducted Under Shareholders' Mandate Pursuant to Rule 920)**	**Aggregate Value Of All Interested Person Transaction Conducted Under Shareholders' Mandate Pursuant to Rule 920 (Excluding Transactions Less Than $100,000)**
Overseas Union Insurance, Limited ("OUI")	The Company's wholly-owned subsidiary, UOB Insurance (H.K.) Limited ("UOBI (H.K.)"), acquired from OUI the insurance portfolio of OUI Hong Kong Branch's business. In accordance with the agreement of portfolio transfer dated 27 August 2007, HK$6.59 million was paid by OUI to UOBI (H.K.) as consideration for the transfer.	Nil

The AC had reviewed the above-mentioned transaction and was of the opinion that the transaction was concluded on normal commercial terms which were not prejudicial to the interests of the Company and its shareholders.

Ethical Standards
The Company adopts a code for dealings in securities for the guidance of its directors and officers. It also has a Code of Conduct for staff to adhere to best practices in their conduct of the Company's business. There is a whistle-blowing policy in place for staff to raise any concern, suspected breach or fraud, or activity or behaviour that they feel may not accord with the Company's policies or best practices or with the law.

Directors' Attendance for 2007

Name of Director	Number of Meetings Attended in 2007			
	Board of Directors	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Mr Wee Cho Yaw	4	NA	1	1
Mr David Chan Mun Wai	4	NA	NA	NA
Mr Wee Ee Cheong	4	NA	NA	NA
Mr Hwang Soo Jin	4	4	1	1
Mr Yang Soo Suan	3	4	1	1
Dr Lee Soo Ann	4	4	NA	NA
Number of Meetings Held in 2007	**4**	**4**	**1**	**1**

NA: Not Applicable

Directors' Fees and Other Remuneration
The details of the total fees and other remuneration paid/payable by the Company to the directors for the financial year 2007 are as follows:

Name of Director	Directors' Fees %	Base or Fixed Salary %	Variable Performance Bonus %	Benefits-in-kind and Others %	Total %
$250,000 to $499,999					
Mr David Chan Mun Wai	3.1	55.2	31.2	10.5	100.0
Below $250,000					
Mr Wee Cho Yaw	100.0	-	-	-	100.0
Mr Wee Ee Cheong	100.0	-	-	-	100.0
Mr Hwang Soo Jin	100.0	-	-	-	100.0
Mr Yang Soo Suan	100.0	-	-	-	100.0
Dr Lee Soo Ann	100.0	-	-	-	100.0

RISK MANAGEMENT

As the management of risk is fundamental to the financial soundness and integrity of the Group, risk evaluation forms an integral part of the Group's business strategy development. The risk management philosophy is that all risks taken must be identified, assessed, monitored and managed within a robust risk management framework, and that returns must commensurate with the risks taken.

The Board of Directors (the "Board") has overall responsibility for determining the type and level of business risks that the Group undertakes to achieve its corporate objectives. The Board has delegated to the Management the authority to formulate, review and approve policies and processes on monitoring and managing risk exposures. The major policy decisions and proposals on risk exposures approved by the Management are subject to review by the Board.

The Management of the Group has the responsibility of establishing and implementing appropriate systems and controls in managing and mitigating risks arising from its business operations. The systems and controls are designed to identify, assess, manage and monitor, rather than eliminate, the risks in the Group's business operations and can only provide reasonable and not absolute assurance.

Various committees, comprising the managerial staff of the Group, meet regularly to deliberate on matters relating to the key types of risks under their respective supervision.

The **Management Committee** monitors the overall operational matters of the Group. It formulates, reviews and approves policies and strategies relating to the monitoring and management of operational risks and develops appropriate action plans across all business and support units. It also sets strategic directions for the Group, determines the allocation of resources and monitors the execution of strategic plans and key performance indicators.

The **Risk Management and Compliance Committee** addresses all risk management, corporate governance and compliance issues affecting the Group. These issues can emanate from regulatory authorities, industry associations, parent company, auditors and other relevant bodies. It monitors the implementation of risk management policies and procedures by all operational units. It also develops and implements compliance policies, procedures and guidelines to meet the regulatory requirements applicable to the Group.

The **Business Development Committee** develops and executes business plans of the Group, reviews business performance and formulates action plans to enhance business performance. Market trends and changes in business risks are identified, addressed and managed accordingly.

The **Underwriting and Claims Committee** establishes underwriting and claims policies and procedures. Appropriate risk management strategies are applied to address the variety of underwriting risks accepted. Issues arising from claims development and provisions are dealt with judiciously. It also monitors the compliance of such policies and procedures by all operational units.

The **Credit Control Committee** establishes credit control policies and procedures, and ensures that the premium collection process is implemented by all operational units. It approves write-off of bad debts and develops action plans to improve collection or initiate remedial recovery actions.

Within the Group, risks are managed under the following headings:
- Underwriting Risks
- Reinsurance of Risks
- Provisions of Policy and Claims Liabilities
- Financial Risks
- Investment and Management of Funds
- Business Continuity Risks.

RISK MANAGEMENT

1. Underwriting of Risks

The principal activity of the Group is the underwriting of general insurance business. As general insurance business encompasses a wide range of different insurance products, a prudent management of risks is fundamental to our business. This safeguards not only the interest of our shareholders but also that of our customers. The Group has developed a robust underwriting framework to ensure that risks accepted meet with all the underwriting guidelines issued to our trained pool of underwriters. This framework allows for the proper selection of risks at adequate but competitive pricing for our products.

2. Reinsurance of Risks

Reinsurance refers to the cession of a portion of risks assumed by an insurer to another insurer or reinsurer. The Group has formulated a reinsurance management strategy, which incorporates the following principles and objectives:

- Protection of Shareholders' Equity
- Smoothing Out the Peaks and Troughs
- Providing Competitive Advantage
- Sound Security Rating and Diversification of Reinsurers
- Reinsurers as Long-Term Strategic Partners.

In particular, a written Reinsurance Management Strategy had been reviewed and approved by the Board to ensure that a prudent and appropriate reinsurance protection programme is in place.

The Group's activities lie primarily with policyholders located in Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Group's insurance portfolio. Based on historical experience of loss frequency and severity of similar risks and in similar geographical zones, the Group has developed its reinsurance strategy to manage such concentration of insurance risks.

3. Provisions of Policy and Claim Liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in the technical provisions, which include the provisions of policy and claim liabilities.

Policy liabilities refer to the reserves for unearned premium and include liabilities for all benefits, claims and expenses, acquisition costs, maintenance costs and policyholders' experience refund to be incurred after the balance sheet date. Claim liabilities refer to obligation, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the balance sheet date and include reserves for claims reported, incurred but not reported and incurred but not enough, as well as direct and indirect claim expenses. The Group's unearned premium reserves are calculated on a formula generally accepted by the industry whilst its outstanding claims liabilities are reviewed by our experienced claims officers. Both the policy and claim liabilities are reviewed and certified by an external actuary annually.

Generally, policy and claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future policy and claim liabilities will not develop exactly as projected and may vary from our projection.

The other uncertainties arising under insurance contracts will include:

- Uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- Uncertainty as to the extent of policy coverage and limits applicable; and
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of policy and claim liabilities can vary substantially from the initial estimates.

4. Financial Risks

The Group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

- *Foreign exchange risk*
  The Group is exposed to foreign exchange risk arising from various currency exposures. The Group does not consider its exposure to foreign exchange risk to be significant and therefore does not regularly enter into forward contracts to manage this risk. However, when necessary, the Group will use forward contracts to hedge its exposure to foreign exchange risk.

- *Interest rate risk*
  Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's operating cash outflow commitment is substantially independent of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the interest income from the Group's fixed deposits and the fair value of debentures held for trading and available for sale.

- *Credit risk*
  The Group has no significant concentration of credit risk. The Group has credit control policies in place to ensure that sales made to customers and recoveries from reinsurers are duly collected. The Group has also established a selection and management policy for reinsurers to ensure that they are financially sound.

- *Liquidity risk*
  Due to the nature of its business and type of assets owned, the Group is not exposed to significant liquidity risk. The Group has formulated a liquidity policy to manage its liquidity risk. It is the Group's policy to maintain adequate liquidity at all times. The Group aims to honour all cash outflow commitments on an ongoing basis and avoid raising funds from credit facilities or through the forced sale of investments.

- *Market price risk*
  Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments and has established an investment policy, which sets maximum exposure limits for its investment portfolio. These quoted equity instruments are listed on the Singapore Exchange Securities Trading Limited in Singapore or other regulated stock exchanges overseas and are classified as 'held for trading' or 'available-for-sale' financial assets.

  The Group does not have exposure to commodity price risk.

5. **Investment and Management of Funds**
   The Group's objective is to invest in quality investment for long-term appreciation and to achieve a target return. The Group has appointed a professional fund manager to manage its investment. Through regular meetings with the fund manager and performance reports, the Group reviews and monitors the performance of its investment funds. The Group has also established a policy to address the selection, review and management of its fund manager.

6. **Business Continuity Risks**
   The Group has formulated a comprehensive Business Continuity Management Plan and test-runs have been conducted to ensure its readiness to handle any event that could affect business operations.

2007 IN REVIEW

The insurance industry in Singapore saw a growth in gross premium income in 2007 on the back of strong demand from the construction sector. Classes of business emanating from this sector showed robust growth in their premium portfolios. Motor and healthcare products also contributed significantly to the growth in premium volume for the industry. However, intense competition caused largely by over-capacity in a saturated market continued to dampen premium rates across all classes of business. Steep competition was more prevalent in the property and casualty insurance markets for smaller-size risks.

Against this backdrop of a difficult operating environment characterised by steep rate erosion, higher operating costs and low organic growth, the Company continued to focus on areas in which it had competitive advantages in 2007 and leverage the United Overseas Bank ("UOB") Group's network in Singapore and the region. We continued to drive our business plans along the three broad fronts for profitable growth, namely, selling personal insurance through direct marketing, cross-selling corporate insurance to small and medium-sized enterprises ("SMEs") and expanding the regional business.

Personal-line Insurance

In 2007, through direct marketing activities in conjunction with UOB, we launched several successful product campaigns targeted at UOB credit/debit card customers, increasing the array of personal-line products sold. Besides introducing new products to the marketplace, we concentrated our efforts on improving customer retention. These strategies garnered significant premium growth for the Company in 2007.

During the year, the Company expanded its marketing activities using the UOB Group's network to deepen its various distribution channels. Several promotions were held jointly with UOB for personal insurance, especially travel insurance. Our travel insurance brochures were distributed at all the branches of UOB and we participated at travel fairs and roadshows held by the bank.

In selling travel insurance, we also tapped our extensive network of travel agents in Singapore and organised special promotions for our clients, agents and brokers throughout the year. To further improve our product delivery and services, we launched a 24-hour fully-manned activation hotline for our travel insurance product and deployed an online policy processing system for selected major travel agents in 2007.

Last year, we further consolidated our position as one of the leading providers of personal insurance products in Singapore.

Corporate Insurance

Keen competition was more prevalent in this market segment and throughout 2007, our business development teams stepped up their activities in cross-selling corporate insurance to the SME customers of UOB. The referrals for corporate insurance, which emanated mainly from the Commercial Banking and Corporate Banking Sectors of the bank, contributed to our business growth.

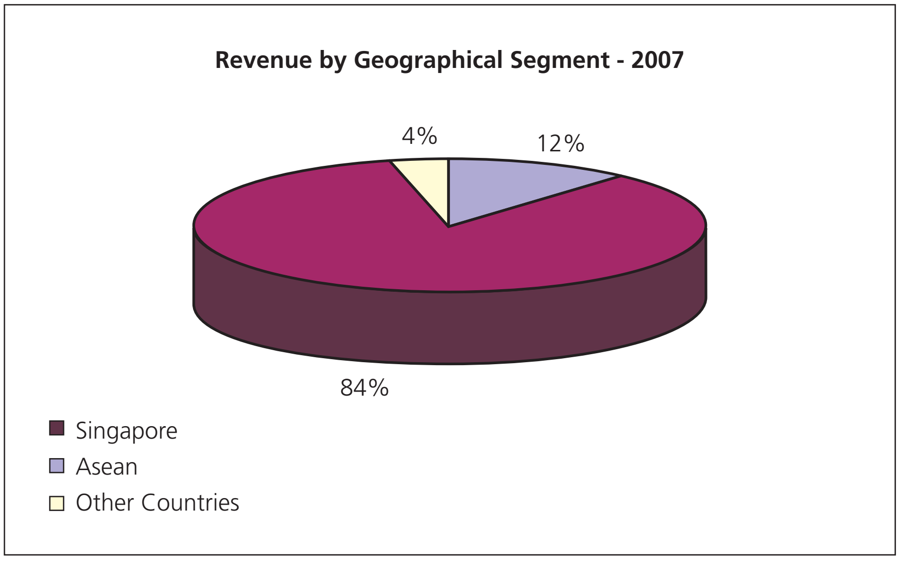
We also worked closely with our network of agents and established insurance brokers to generate new business and increase customer retention during the year. We continued to expand our agency network and added new products to our comprehensive range of products geared to the insurance needs of corporate customers.

2007 IN REVIEW

Regional Business

In the Asia Pacific region especially in ASEAN where the UOB Group has a significant presence, we continued to build on the business infrastructure to increase our revenue streams from these markets. Direct marketing was one of the well-proven delivery channels we used to develop the offshore business together with our strategic partners in the region to promote bancassurance products. We also cultivated meaningful exchange in profitable reinsurance business with reputable insurers in the region notably Japan, Hong Kong, Thailand and Malaysia. In addition, we further maintained selective participation in growing markets like China and India in 2007.

Although the majority of the Company's earnings still comes from business in Singapore, revenue streams from offshore markets, notably ASEAN, contributed increasingly to the top line in 2007.



Overseas Operations

Our wholly-owned subsidiary, UOB Insurance (H.K.) Limited ("UOBI (H.K.)"), continued to provide insurance support for the parent company's activities in Hong Kong. A prudent underwriting strategy was maintained in view of the competitive business environment. In August 2007, UOBI (H.K.) accepted a transfer of insurance liabilities from Overseas Union Insurance, Limited (Hong Kong Branch). The portfolio was deemed to be a mature one and adequately valued by our actuary.

Our representative office in Myanmar continued its strategy of selective underwriting of profitable business.

Prospects

The Company allotted and issued 20,385,000 Rights Shares on 20 July 2007, which were subsequently listed on the Singapore Exchange Securities Trading Limited on 23 July 2007. Net proceeds from the rights issue will be deployed for business expansion opportunities.

Intense competition and higher operating costs are expected to continue in the Singapore general insurance market, putting further pressure on the already thin underwriting margins. Besides further honing our business plans which have proven to deliver a strong bottomline, the Company will continue to pursue its policy of judicious risk management in underwriting and investment. Revenue contribution from the overseas market is expected to grow as we continue to diversify our portfolio by seeking more offshore businesses.

DIRECTORS' REPORT

for the financial year ended 31 December 2007

The directors are pleased to present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

Directors

The directors of the Company holding office at the date of this report are:

Mr Wee Cho Yaw
Mr David Chan Mun Wai
Mr Wee Ee Cheong
Mr Hwang Soo Jin
Mr Yang Soo Suan
Dr Lee Soo Ann

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

(a) According to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, the interests of the directors who held office at 31 December 2007, in the share capital of the Company and related corporations (other than wholly-owned subsidiary) were as follows:

	Number of ordinary shares			
	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At 31.12.2007	At 1.1.2007	At 31.12.2007	At 1.1.2007
The Company				
United Overseas Insurance Limited				
Mr Wee Cho Yaw	38,100	25,400	-	-
Mr Hwang Soo Jin	100,000	100,000	-	-
Mr David Chan Mun Wai	21,000	14,000	-	-
Holding Company				
United Overseas Bank Limited				
Mr Wee Cho Yaw	16,390,248	16,390,248	247,008,142	245,208,142
Mr Wee Ee Cheong	2,794,899	2,794,899	146,135,251	146,085,251
Mr David Chan Mun Wai	5,600	5,600	-	-

(b) There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2008 (being the 21st day after the end of the financial year).

Directors' contractual benefits
Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed in this report or in the consolidated financial statements) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except that the directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

Share options
There were no share options granted by the Company or its subsidiary during the financial year.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary.

There were no unissued shares of the Company or its subsidiary under option at 31 December 2007.

Audit Committee
The Audit Committee comprises three members, all of whom are independent directors. The members of the Audit Committee are:

Mr Yang Soo Suan
Mr Hwang Soo Jin
Dr Lee Soo Ann

The Audit Committee has reviewed the financial statements, the internal and external audit plans and audit reports, the external auditors' evaluation of the system of internal accounting controls, the scope and results of internal and external audit procedures, the adequacy of internal audit resources, the cost effectiveness, independence and objectivity of external auditors, the significant findings of internal audit investigations, and interested person transactions. The reviews were made with the internal and external auditors, the Chief Financial Officer of the parent company and the Managing Director. The Audit Committee has also carried out the functions required of the Committee under the Code of Corporate Governance and the Guidelines on Corporate Governance for Banks, Financial Holding Companies and Direct Insurers which are incorporated in Singapore.

Auditors
The Audit Committee has nominated Messrs Ernst & Young for re-appointment as auditors of the Company and Messrs Ernst & Young have expressed their willingness to be re-appointed.

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

David Chan Mun Wai
Managing Director

Singapore, 25 February 2008

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2007

We, Wee Cho Yaw and David Chan Mun Wai, being two of the directors of United Overseas Insurance Limited, do hereby state that, in the opinion of the directors:

(i) the accompanying Profit and Loss accounts, Insurance Revenue Accounts, Balance Sheets, Statement of Changes in Equity and Consolidated Cash Flow Statement together with notes thereto are drawn up 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 2007 and of the results of the business, 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

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Wee Cho Yaw
Chairman

David Chan Mun Wai
Managing Director

Singapore, 25 February 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNITED OVERSEAS INSURANCE LIMITED

for the financial year ended 31 December 2007

We have audited the accompanying financial statements of United Overseas Insurance Limited (the Company) and its subsidiary (collectively, the Group) for the financial year ended 31 December 2007, set out on pages 27 to 65, which comprise the Balance Sheets of the Group and the Company as at 31 December 2007, Profit and Loss Accounts, Insurance Revenue Accounts, Statements of Changes in Equity of the Group and the Company and the Cash Flow Statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 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 2007, and the results, 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 records 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, 25 February 2008

PROFIT AND LOSS ACCOUNTS

for the financial year ended 31 December 2007

	Note	Group		Company	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
Insurance underwriting profit transferred from insurance revenue accounts		**13,769**	11,790	13,596	11,747
Other income:					
Gross dividends from investments	5a	**3,964**	3,820	**4,013**	3,871
Interest income from investments	5b	**2,029**	1,334	**2,029**	1,334
Interest on fixed deposits and bank balances from:					
- Holding company		**1,486**	1,292	**1,202**	1,018
- Fellow subsidiaries		**44**	50	**44**	50
- Other financial institutions		**729**	1,303	**710**	1,286
Profit on sale of fixed assets		**19**	-	**19**	-
Miscellaneous income		**13**	13	**11**	12
Net gains on investments at fair value through profit or loss		**3,702**	8,109	**3,702**	8,109
Net gains on available-for-sale investments		**1,528**	77	**1,528**	77
		13,514	15,998	**13,258**	15,757
Add/(Less)					
Management expenses not charged to insurance revenue accounts:	6				
- Management fees		**(532)**	(453)	**(532)**	(453)
- Other operating expenses		**(636)**	(244)	**(632)**	(243)
- Exchange differences		**(333)**	94	**(342)**	78
Profit before tax		**25,782**	27,185	**25,348**	26,886
Tax expense	9	**(4,490)**	(4,851)	**(4,464)**	(4,810)
Net profit		**21,292**	22,334	**20,884**	22,076
Earnings per share – basic and diluted	10	**36 cents**	55 cents		

The accompanying notes form an integral part of these financial statements.
Auditors' Report - page 26.

INSURANCE REVENUE ACCOUNTS

for the financial year ended 31 December 2007

	Note	Fire $'000	General accident $'000	Marine $'000	Group 2007 Total $'000	2006 Total $'000
Gross premiums written		**26,241**	**41,756**	**3,285**	**71,282**	67,430
Reinsurance premiums ceded		**(14,649)**	**(31,615)**	**(1,836)**	**(48,100)**	(47,247)
Net premiums written		**11,592**	**10,141**	**1,449**	**23,182**	20,183
Movement in net reserve for unexpired risks	17	**(841)**	**(1,884)**	**28**	**(2,697)**	30
Movement in net deferred acquisition cost	18	**167**	**378**	**(2)**	**543**	(209)
Net earned premiums		**10,918**	**8,635**	**1,475**	**21,028**	20,004
Less						
Gross claims paid		**5,548**	**8,946**	**887**	**15,381**	20,968
Reinsurance claims recoveries		**(3,124)**	**(5,859)**	**(617)**	**(9,600)**	(14,345)
Net incoming claims from portfolio transfer		**(6)**	**(1,267)**	**(3)**	**(1,276)**	-
Net claims paid	19	**2,418**	**1,820**	**267**	**4,505**	6,623
Change in net outstanding claims		**41**	**1,995**	**(7)**	**2,029**	1,693
Net claims incurred	19	**2,459**	**3,815**	**260**	**6,534**	8,316
Gross commissions		**5,336**	**5,572**	**572**	**11,480**	10,812
Reinsurance commissions		**(7,106)**	**(9,739)**	**(786)**	**(17,631)**	(16,797)
Net commissions		**(1,770)**	**(4,167)**	**(214)**	**(6,151)**	(5,985)
Management expenses:	6					
Staff cost	7	**2,567**	**2,224**	**322**	**5,113**	4,831
Rental expenses		**335**	**291**	**42**	**668**	470
Management fees		**38**	**61**	**3**	**102**	109
Other operating expenses		**483**	**452**	**58**	**993**	473
Total expenses		**4,112**	**2,676**	**471**	**7,259**	8,214
Insurance underwriting profit transferred to profit and loss accounts		**6,806**	**5,959**	**1,004**	**13,769**	11,790

The accompanying notes form an integral part of these financial statements.
Auditors' Report - page 26.

	Note	Fire $'000	General accident $'000	Marine $'000	2007 Total $'000	2006 Total $'000
				Company		
Gross premiums written		**25,916**	**40,668**	**3,195**	**69,779**	65,680
Reinsurance premiums ceded		**(14,450)**	**(30,730)**	**(1,757)**	**(46,937)**	(45,941)
Net premiums written		**11,466**	**9,938**	**1,438**	**22,842**	19,739
Movement in net reserve for unexpired risks	17	**(861)**	**(1,884)**	**26**	**(2,719)**	(3)
Movement in net deferred acquisition cost	18	**174**	**375**	**(2)**	**547**	(190)
Net earned premiums		**10,779**	**8,429**	**1,462**	**20,670**	19,546
Less						
Gross claims paid		**5,510**	**8,693**	**947**	**15,150**	20,645
Reinsurance claims recoveries		**(3,097)**	**(5,651)**	**(676)**	**(9,424)**	(14,058)
Net claims paid	19	**2,413**	**3,042**	**271**	**5,726**	6,587
Change in net outstanding claims		**40**	**783**	**(9)**	**814**	1,539
Net claims incurred	19	**2,453**	**3,825**	**262**	**6,540**	8,126
Gross commissions		**5,225**	**5,350**	**570**	**11,145**	10,383
Reinsurance commissions		**(7,012)**	**(9,520)**	**(729)**	**(17,261)**	(16,369)
Net commissions		**(1,787)**	**(4,170)**	**(159)**	**(6,116)**	(5,986)
Management expenses:	6					
Staff cost	7	**2,567**	**2,224**	**322**	**5,113**	4,831
Rental expenses		**335**	**291**	**42**	**668**	470
Other operating expenses		**436**	**378**	**55**	**869**	358
Total expenses		**4,004**	**2,548**	**522**	**7,074**	7,799
Insurance underwriting profit transferred to profit and loss accounts		**6,775**	**5,881**	**940**	**13,596**	11,747

The accompanying notes form an integral part of these financial statements.
Auditors' Report - page 26.

BALANCE SHEETS

as at 31 December 2007

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Share capital					
Issued & fully paid	12	**91,733**	40,770	**91,733**	40,770
Reserves					
General reserve	14	**18,880**	17,880	**18,880**	17,880
Available-for-sale investment reserve	15	**25,340**	26,123	**25,340**	26,123
Foreign currency translation reserve		**(673)**	(227)	**-**	-
Retained profits		**62,889**	78,536	**60,289**	76,344
		106,436	122,312	**104,509**	120,347
Total equity attributable to equity holders of the Company		**198,169**	163,082	**196,242**	161,117
Deferred tax liabilities	16	**5,733**	6,716	**5,733**	6,716
Gross technical balances					
Reserve for unexpired risks	17	**33,876**	30,453	**33,231**	29,700
Provision for outstanding claims	19	**108,447**	99,268	**104,613**	97,612
		142,323	129,721	**137,844**	127,312
Current liabilities and provisions					
Amount owing to agents		**911**	810	**911**	811
Amount owing to reinsurers		**5,303**	4,449	**5,210**	4,297
Amount retained from reinsurers		**4,425**	3,361	**4,322**	3,252
Benefits payable to policyholders – gross		**1,473**	732	**1,474**	732
Non-trade creditors and accrued liabilities		**2,943**	3,691	**2,858**	3,629
Deferred acquisition cost – reinsurers' share	18	**4,690**	4,736	**4,586**	4,618
Amount owing to related companies – non-trade		**134**	116	**134**	116
Tax payables	9	**8,305**	7,598	**8,284**	7,620
		28,184	25,493	**27,779**	25,075
		374,409	325,012	**367,598**	320,220

The accompanying notes form an integral part of these financial statements.
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	Note	Group		Company	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
Non-current assets					
Fixed assets	22	**462**	529	**462**	529
Investment in subsidiary	23	**-**	-	**4,940**	4,940
Available-for-sale investments	24	**83,315**	51,066	**83,315**	51,066
Non-current debtors	25	**14**	35	**14**	35
Statutory deposit	26	**500**	500	**500**	500
Unsecured term loan		**26**	29	**26**	29
Reinsurers' share of technical balances					
Reserve for unexpired risks	17	**18,026**	17,288	**17,530**	16,718
Provision for outstanding claims	19	**63,708**	56,540	**61,346**	55,159
		81,734	73,828	**78,876**	71,877
Current assets					
Amount due from policyholders and agents	20	**3,902**	4,422	**3,656**	4,151
Amount due from reinsurers	21	**3,159**	2,759	**3,152**	2,700
Amount retained by ceding companies		**903**	720	**903**	720
Benefits payable to policyholders – reinsurers' share		**975**	488	**975**	488
Deferred acquisition cost – gross	18	**4,035**	3,541	**3,893**	3,378
Non-trade debtors and accrued interest receivable	27	**1,365**	1,254	**1,350**	1,249
Amount owing by related companies	28	**6**	30	**66**	106
Investments at fair value through profit or loss	29	**86,600**	112,229	**86,600**	112,229
Fixed deposits	30	**100,247**	68,761	**93,882**	62,287
Cash and bank balances	31	**7,166**	4,821	**4,988**	3,936
		208,358	199,025	**199,465**	191,244
		374,409	325,012	**367,598**	320,220

The accompanying notes form an integral part of these financial statements.
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STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2007

		Attributable to equity holders of the Group					
	Note	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 2007		**40,770**	**17,880**	**26,123**	**(227)**	**78,536**	**163,082**
Net valuation loss taken to equity	15	**-**	**-**	**(783)**	**-**	**-**	**(783)**
Foreign currency translation differences		**-**	**-**	**-**	**(446)**	**-**	**(446)**
Net losses not recognised in profit and loss accounts		**-**	**-**	**(783)**	**(446)**	**-**	**(1,229)**
Net profit		**-**	**-**	**-**	**-**	**21,292**	**21,292**
Total recognised gains/(losses) for the financial year		**-**	**-**	**(783)**	**(446)**	**21,292**	**20,063**
Issue of rights shares	12	**50,963**	**-**	**-**	**-**	**-**	**50,963**
Transfer from retained profits	14	**-**	**1,000**	**-**	**-**	**(1,000)**	**-**
Dividend for Year 2006	11	**-**	**-**	**-**	**-**	**(5,015)**	**(5,015)**
Dividend for Year 2007	11	**-**	**-**	**-**	**-**	**(30,924)**	**(30,924)**
Balance at 31 December 2007		**91,733**	**18,880**	**25,340**	**(673)**	**62,889**	**198,169**
Balance at 1 January 2006		40,770	16,880	17,871	358	63,725	139,604
Net valuation gain taken to equity	15	-	-	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	14	-	1,000	-	-	(1,000)	-
Dividend for Year 2005	11	-	-	-	-	(4,892)	(4,892)
Dividend for Year 2006	11	-	-	-	-	(1,631)	(1,631)
Balance at 31 December 2006		40,770	17,880	26,123	(227)	78,536	163,082

The accompanying notes form an integral part of these financial statements.
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	Note	Share capital $'000	General reserve $'000	Available-for-sale investment reserve $'000	Retained profits $'000	Total $'000
		Attributable to equity holders of the Company				
Balance at 1 January 2007		**40,770**	**17,880**	**26,123**	**76,344**	**161,117**
Net valuation loss taken to equity	15	**-**	**-**	**(783)**	**-**	**(783)**
Net losses not recognised in profit and loss accounts		**-**	**-**	**(783)**	**-**	**(783)**
Net profit		**-**	**-**	**-**	**20,884**	**20,884**
Total recognised gains/(losses) for the financial year		**-**	**-**	**(783)**	**20,884**	**20,101**
Issue of rights shares	12	**50,963**	**-**	**-**	**-**	**50,963**
Transfer from retained profits	14	**-**	**1,000**	**-**	**(1,000)**	**-**
Dividend for Year 2006	11	**-**	**-**	**-**	**(5,015)**	**(5,015)**
Dividend for Year 2007	11	**-**	**-**	**-**	**(30,924)**	**(30,924)**
Balance at 31 December 2007		**91,733**	**18,880**	**25,340**	**60,289**	**196,242**
Balance at 1 January 2006		40,770	16,880	17,871	61,791	137,312
Net valuation gain taken to equity	15	-	-	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	14	-	1,000	-	(1,000)	-
Dividend for Year 2005	11	-	-	-	(4,892)	(4,892)
Dividend for Year 2006	11	-	-	-	(1,631)	(1,631)
Balance at 31 December 2006		40,770	17,880	26,123	76,344	161,117

The accompanying notes form an integral part of these financial statements.
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CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2007

	2007 $'000	2006 $'000
Cash flows from operating activities		
Profit before tax	**25,782**	27,185
Adjustments for:		
Foreign currency difference on reserve for unexpired risks (net of deferred acquisition cost)	**(9)**	(13)
Foreign currency difference on provision for outstanding claims	**(18)**	(11)
Movement in net reserve for unexpired risks (net movement in net deferred acquisition cost)	**2,154**	179
Movement in net outstanding claims	**2,029**	1,693
Depreciation	**204**	350
Net gains on available-for-sale investments	**(1,528)**	(77)
Net gains on investments at fair value through profit or loss	**(3,702)**	(8,109)
Profit on sale of fixed assets	**(19)**	-
Gross dividends from investments	**(3,964)**	(3,820)
Interest income from investments	**(2,029)**	(1,334)
Interest on fixed deposits and bank balances	**(2,259)**	(2,645)
Exchange differences	**830**	514
Operating profit before working capital change	**17,471**	13,912
Changes in working capital:		
Trade and other receivables	**(640)**	(2,291)
Trade and other payables	**2,012**	2,465
Amount owing by related companies	**24**	22
Amount owing to related companies	**18**	3
Cash generated from operations	**18,885**	14,111
Tax paid	**(3,797)**	(3,150)
Net cash flow from operating activities	**15,088**	10,961
Cash flows from investing activities		
Proceeds from sale of investments at fair value through profit or loss	**56,897**	27,881
Proceeds from sale of available-for-sale investments	**13,146**	1,944
Proceeds from sale of fixed assets	**19**	-
Purchase of investments at fair value through profit or loss	**(27,675)**	(34,174)
Purchase of available-for-sale investments	**(45,863)**	(6,325)
Purchase of fixed assets	**(137)**	(84)
Unsecured term loan	**3**	2
Gross dividends from investments	**3,964**	3,820
Interest income from investments	**2,029**	1,334
Interest on fixed deposits and bank balances	**2,259**	2,645
Net cash flow from/(used in) investing activities	**4,642**	(2,957)

The accompanying notes form an integral part of these financial statements.
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	2007 **$'000**	2006 $'000
Cash flows from financing activities		
Dividend paid	**(35,939)**	(6,523)
Proceeds from issuance of share capital	**50,963**	-
Net cash flow from/(used in) financing activities	**15,024**	(6,523)
Translation difference on foreign subsidiary company	**(446)**	(585)
Net increase in cash and cash equivalents	**34,308**	896
Cash and cash equivalents at beginning of year (Note A)	**73,582**	73,303
Effects of exchange rate changes on cash and cash equivalents	**(477)**	(617)
Cash and cash equivalents at end of year (Note A)	**107,413**	73,582

Note A: Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

	2007 **$'000**	2006 $'000
Cash and bank balances	**7,166**	4,821
Fixed deposits	**100,247**	68,761
	107,413	73,582

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

United Overseas Insurance Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange.

The Company is a member of the United Overseas Bank Group. The holding company which is also the ultimate holding company is United Overseas Bank Limited, incorporated in Singapore, which owns 58% of the issued share capital of the Company.

The address of the Company's registered office is as follows:

80 Raffles Place
UOB Plaza
Singapore 048624

The address of the Company's principal place of business is as follows:

3 Anson Road
#28-01, Springleaf Tower
Singapore 079909

2 Significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group and the financial statements of the Company, which are presented in Singapore dollars ("$") and rounded to the nearest thousand ("$'000"), have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act.

The preparation of the financial statements in conformity with FRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

(b) Adoption of new Singapore Financial Reporting Standards ("FRS") and FRS not yet effective

The Company has adopted FRS 1 (revised), Presentation of Financial Statements (Capital Disclosure) and FRS 107 Financial Instruments Disclosures. As a result, additional disclosures are made providing information about financial instruments and information to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. The adoption of the amendments to FRS 1 and FRS 107 has resulted in additional disclosures being included but has no recognition or measurement impact.

The Group and the Company have not applied the following FRS that has been issued but is not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 108:	Operating Segments	1 January 2009

The directors expect that the adoption of the above pronouncement will have no material impact to the financial statements in the period of initial application.

2 Significant accounting policies (continued)

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to the end of the financial year. Intercompany balances and transactions and resulting unrealised profits or losses are eliminated in full on consolidation.

(d) Revenue recognition

(i) **Premium income**

Premium income from direct and facultative reinsurance business is taken up as income at the time a policy is issued which approximates the inception date of the risk. For products with a no claim bonus refund feature, premium net of the full provision for no claim bonus refund is recognised as premium income.

Premium income from treaty reinsurance is taken up in the insurance revenue account based on statements received up to the time of closing of the books.

(ii) **Investment income**

Dividend income is recognised when such dividends are declared. Interest income is accounted for on an accrual basis. Profits or losses on disposal of investments are taken to the profit and loss accounts.

(e) Product classification

All the Group's existing products are insurance contracts as defined in FRS 104. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

(f) Reserve for unexpired risks

Reserve for unexpired risks comprises the sum of unearned premium reserves and premium deficiency reserves.

Unearned premium reserves are calculated on the following basis:

(i) Unearned premium reserves, other than for marine cargo and inward treaties, are calculated using the 1/24th method based on gross premiums written less premiums on reinsurances in Singapore and premiums on which reinsurance deposits are withheld.

(ii) Unearned premium reserves on marine cargo direct business are calculated at 25% of the gross premiums written less premiums on reinsurances in Singapore and premiums on which reinsurance deposits are withheld.

(iii) Unearned premium reserves on inward treaties are calculated at 40% of gross premiums written less premiums on reinsurances in Singapore.

Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised when the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserves in relation to such policies.

Reserve for unexpired risks are compared with the report issued by a qualified actuary, which is prepared for a valuation of the premium liabilities in accordance with Section 37 of the Insurance Act, Cap. 142, on a yearly basis.

2 Significant accounting policies (continued)

(g) Deferred acquisition costs

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs ("DAC") are calculated using the 1/24th method on actual commission. All other acquisition costs are recognised as an expense when incurred.

An impairment review is performed at each reporting date and the carrying value is written down to the recoverable amount.

(h) Reinsurance

The Company assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

(i) Claims paid and provision for outstanding claims

Claims are charged against the insurance revenue account when incurred based on the estimated liability for compensation owed to policyholders or damage suffered by third party claimants. They comprise direct and indirect claims settlement costs, including loss adjustment expenses and professional fees, and arise from events that have occurred up to the balance sheet date even if they have not been reported to the Group.

Provision is made for the estimated costs of all claims notified but not settled as at the balance sheet date using the best information available at that time for individual cases. Provision is also made for the estimated costs of claims incurred but not reported ("IBNR") as at the balance sheet date using statistical methods and compared with the assessment of a qualified actuary as required under the Insurance Act. The Group does not discount its provision for outstanding claims. Any reduction or increase in the provision is dealt with in the insurance revenue account of the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in the insurance revenue account of the year in which settlement takes place. For claims from reinsurance, an additional provision is made based on developmental trends as discerned in the running-off of outstanding claims in respect of prior underwriting years.

As explained in Note 4, the assumptions used to estimate the provision require judgement and are subject to uncertainty.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(k) Trade and other debtors

Trade debtors comprising receivables related to insurance contracts and include amounts due from policyholders, agents and reinsurers. Bad debts are written-off when identified and specific provisions for impairment are made for those debts considered to be doubtful. Other debtors including amount owing by related companies are recognised and carried at amortised cost less an allowance for doubtful debts on any uncollectible amounts. The accounting policies applicable to trade and other debtors can be found in Note 2(m)(ii).

2 Significant accounting policies (continued)

(l) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write-off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:

	%
Furniture and fixtures	10
Office equipment	20
Motor vehicles	20

Where an indication of impairment exists, the carrying amount of the asset is assessed and written-down to its recoverable amount. If, in subsequent periods, circumstances and events that led to the provision for impairment in value cease to exist, a write-back up to the full provision may be made, net of depreciation which would have been charged had the provision not been made.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit and loss accounts.

(m) Financial assets

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates this at every reporting date.

(i) **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit or loss.

(ii) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Cash and bank balances, fixed deposits, receivables arising from insurance contracts and other debtors are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(iii) **Held-to-maturity financial assets**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities - other than those that meet the definition of loans and receivables - that the Group’s management has the positive intention and ability to hold to maturity.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

2 Significant accounting policies (continued)

(m) Financial assets (continued)

(iv) **Available-for-sale financial assets** (continued)

Regular way purchases and sales of investments are recognised on settlement date – the date that an asset is delivered to or by the Group. Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention or the market place.

Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss accounts in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of investment securities classified as available-for-sale are recognised in equity in the available-for-sale investment reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss accounts as net realised gains/losses on financial assets.

Gains and losses on loans and receivables are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(n) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) **Assets carried at amortised cost**

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) **Assets carried at cost**

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2 Significant accounting policies (continued)

(n) Impairment of financial assets (continued)

(iii) **Available-for-sale financial assets**

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the profit and loss accounts, is transferred from equity to the profit and loss accounts. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss accounts. Reversals of impairment losses on debt instruments are reversed through the profit and loss accounts, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss accounts.

(o) Trade and other creditors

Liabilities for trade and other creditors and amounts owing to related companies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss accounts when the liabilities are derecognised as well as through the amortisation process.

(p) Foreign currency translation

(i) **Functional currency**

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The financial statements of the Group and the Company are presented in Singapore Dollars, which is the functional currency of the Company.

(ii) **Transactions and balances and foreign subsidiary companies**

Foreign currency monetary assets and liabilities, including those in foreign subsidiary companies, are converted to Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year and the results of foreign subsidiary companies are converted into the functional currency using the rates of exchange ruling on the transaction dates. Exchange differences are taken up in the insurance revenue accounts or in the profit and loss accounts as appropriate except for those arising from the retranslation of the opening net investment in foreign subsidiary companies, which are taken directly to the foreign currency translation reserve.

Exchange differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Exchange differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale investment reserve in equity.

(q) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(r) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Significant accounting policies (continued)

(r) Deferred income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax is provided on temporary differences arising on investment in subsidiary, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits with banks.

(t) Dividend distribution

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

(u) Employees' benefits

(i) **Defined contribution plan**

As required by law, the Company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised in compensation expense in the same period as the employment that gives rise to the contributions.

(ii) **Employees' leave entitlement**

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(w) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

(x) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

3 Principal activities

The principal activities of the Company and its subsidiary are the underwriting of general insurance business. There have been no significant changes in the nature of these activities during the financial year.

4 Management of insurance risk and inherent uncertainty in accounting estimates

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

As general insurance business encompasses a wide range of different insurance products, a prudent management of risks is fundamental to our business. This safeguards not only the interest of our shareholders but also that of our customers. The Group has developed a robust underwriting framework to ensure that all risks accepted meet with our guidelines and standards.

The Group's business is primarily derived from Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Group's insurance portfolio. The Group has developed a reinsurance management strategy which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of our reinsurance management strategy include protection of shareholders' fund, smoothing out the peaks and troughs of our underwriting result, providing us with competitive advantage, sound and diversified reinsurance securities and developing long-term strategic partnership with key reinsurers.

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The principal uncertainty in the Group's financial statements primarily arises in the technical provisions which include the provisions of premium and claim liabilities. The premium liabilities comprise reserve for unexpired risks, net of deferred acquisition cost while the claim liabilities comprise provision for outstanding claims and their values are carried in the balance sheet as disclosed in Notes 17, 18 and 19 to the financial statements.

Generally, premium and claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not develop exactly as projected and may vary from our projection.

The other uncertainties arising under insurance contracts include:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the extent of policy coverage and limits applicable; and
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, judicial interpretations, legislative changes and claims handling procedures.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary from the initial estimates.

5 Other income

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Dividend income (gross) from:				
Available-for-sale investments				
- Quoted equity investments	**2,658**	1,954	**2,658**	1,954
- Unquoted equity investments in a subsidiary company	**-**	-	**49**	51
- Other unquoted equity investments	**5**	5	**5**	5
Investments at fair value through profit or loss				
- Quoted equity investments	**900**	1,514	**900**	1,514
- Unquoted equity investments (marketable unit trusts)	**401**	347	**401**	347
	3,964	3,820	**4,013**	3,871
(b) Interest income from:				
Available-for-sale investments				
- Singapore Government securities	**27**	-	**27**	-
- Other quoted investments	**31**	-	**31**	-
Investments at fair value through profit or loss				
- Singapore Government securities	**359**	277	**359**	277
- Other quoted investments	**1,487**	932	**1,487**	932
- Other unquoted investments	**125**	125	**125**	125
	2,029	1,334	**2,029**	1,334

6 Management expenses

Included in management expenses are the following:

	Charge to insurance revenue accounts 2007 $'000	2006 $'000
(a) Group		
Depreciation on:		
Furniture and fixtures	**14**	14
Office equipment	**189**	336
Motor vehicles	**1**	-
	204	350
Auditors' remuneration:		
Payable to the auditors of the Company – audit fees		
- Current year	**100**	100
- Underprovision in respect of prior year	**-**	33
Payable to other auditors – audit fees		
- Current year	**33**	28
- Underprovision in respect of prior year	**-**	3
Payable to other auditors – non audit fees		
- Current year	**1**	3
	134	167
Foreign exchange loss	**5**	12
Provision for/(write-back of) bad and doubtful debts	**39**	(205)
(b) Company		
Depreciation on:		
Furniture and fixtures	**14**	14
Office equipment	**189**	336
Motor vehicles	**1**	-
	204	350
Auditors' remuneration:		
Payable to the auditors of the Company – audit fees		
- Current year	**100**	100
- Underprovision in respect of prior year	**-**	33
	100	133
Foreign exchange loss	**5**	12
Provision for/(write-back of) bad and doubtful debts	**39**	(205)

7 Staff information (including an executive director)

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Wages, salaries and other employee benefits	**4,659**	4,395	**4,659**	4,395
Central Provident Fund contribution	**454**	436	**454**	436
	5,113	4,831	**5,113**	4,831

	Group and Company	
	2007	2006
Number of persons employed at the end of year	**86**	90

8 Directors' remuneration

The number of directors of the Company whose total remuneration from the Group falls into the following bands is:

	2007	2006
$250,000 to $499,999	**1**	1
Below $250,000	**5**	5
Total	**6**	6

9 Income tax

(a) Tax expense

The tax expense attributable to profit is made up of:

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
On the profit of the year:				
Singapore current income tax	**4,598**	4,842	**4,598**	4,842
Transfer from deferred taxation	**(14)**	(32)	**(14)**	(32)
	4,584	4,810	**4,584**	4,810
Overprovision in respect of prior years	**(120)**	-	**(120)**	-
	4,464	4,810	**4,464**	4,810
Overseas current income tax	**33**	21	**-**	-
(Over)/underprovision in respect of prior years	**(7)**	20	**-**	-
	26	41	**-**	-
	4,490	4,851	**4,464**	4,810

9 Income tax (continued)

(a) Tax expense (continued)

The tax expense on the results of the Group and the Company for the financial year differs from the theoretical amount that would arise by applying the Singapore statutory income tax rate to profit before tax due to the following:

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Profit before tax	**25,782**	27,185	**25,348**	26,886
Tax calculated at a tax rate of 18% (2006: 20%)	**4,641**	5,437	**4,563**	5,377
Singapore statutory stepped income exemption	**(27)**	(11)	**(27)**	(11)
Expenses not deductible for tax purposes	**722**	53	**719**	48
Income not subject to tax	**(560)**	(553)	**(506)**	(512)
Income from qualifying debt securities and offshore insurance which are taxed at a rate of 10%	**(148)**	(115)	**(149)**	(107)
(Over)/underprovision in prior financial year (net)	**(127)**	20	**(120)**	-
Effect of change in tax rate	**(13)**	-	**(13)**	-
Effect of difference in tax rates in other countries	**(3)**	-	**-**	-
Others	**5**	20	**(3)**	15
Actual tax expense	**4,490**	4,851	**4,464**	4,810

(b) Movements in tax payables

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Balance at beginning of the financial year	**7,598**	5,865	**7,620**	5,865
Income tax paid	**(3,797)**	(3,150)	**(3,814)**	(3,087)
Current financial year's tax payable on profit	**4,632**	4,863	**4,598**	4,842
(Over)/underprovision in respect of prior years	**(128)**	20	**(120)**	-
Balance at end of the financial year	**8,305**	7,598	**8,284**	7,620

10 Earnings per share

	Group	
	2007	2006
	$'000	$'000
Profit after taxation	**21,292**	22,334
Weighted average number of ordinary shares issued ('000)	**58,907**	40,770
Basic and diluted earnings per share	**36 cents**	55 cents

Basic earnings per share is calculated by dividing the profit after tax attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

11 Dividend paid

	Group and Company	
	2007	2006
	$'000	$'000
Interim dividend of 5 cents (2006: 5 cents) per share, paid net of tax at 18% in respect of the financial year 2007 (2006: 20%)	**2,507**	1,631
Bonus dividend of 85 cents (2006: Nil) per share, paid net of tax at 18% in respect of the financial year 2007	**28,417**	-
Final dividend of 15 cents (2005: 15 cents) per share, paid net of tax at 18% in respect of the financial year 2006 (2005: 20%)	**5,015**	4,892
	35,939	6,523

The directors have proposed a final one-tier tax-exempt dividend of 12 cents per share in respect of the financial year ended 31 December 2007, amounting to $7,339,000. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2008.

12 Share capital

	Group and Company	
	2007	2006
	$'000	$'000
Issued & fully paid	**91,733**	40,770

Status report on the use of proceeds from rights issue

Following the Company's announcement of 7 May 2007 in respect of the renounceable non-underwritten rights issue of up to 20,385,000 new ordinary shares ("Rights Shares"), at an issue price of $2.50 each on the basis of one Rights Share for every two existing ordinary shares of the Company, with the availability of an option to elect to utilise the net bonus dividend of $0.697 per share to subscribe for the Rights Shares, the Company has allotted and issued 20,385,000 new Rights Shares on 20 July 2007. The Rights Shares were listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Net proceeds from the Rights Issue of approximately $22 million have been deposited with banks pending deployment for business expansion opportunity.

13 Capital

The Group's capital management policy is to ensure that it maintains a strong capital position to support its growth.

The Company has complied with the capital requirements in the Insurance Act (Chapter 142) Insurance (Valuation and Capital) Regulations.

The Company has no borrowings, contingent liabilities and loan capital as at 31 December 2007.

14 General reserve

In each financial year, a certain amount of retained profits may be transferred to general reserve of the Group. The general reserve has not been earmarked for any particular purpose.

15 Available-for-sale investment reserve

Available-for-sale investment reserve records the cumulative fair value changes of available-for-sale investments, net of deferred income tax, until they are derecognised or impaired.

	Group and Company	
	2007	2006
	$'000	$'000
Balance at 1 January	**26,123**	17,871
Net change in the reserve	**(783)**	8,252
Balance at 31 December	**25,340**	26,123
Net change in the reserve arises from:		
- Net (loss)/gain on fair value changes during the financial year	**(159)**	8,314
- Recognised in the profit and loss amount on disposal of investments	**(624)**	(62)
	(783)	8,252

16 Deferred tax liabilities

Deferred tax liabilities as at 31 December relate to the following:

	Group and Company			
	Balance sheet		Profit and loss	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Differences in tax depreciation	**70**	99	**(29)**	(50)
Differences in interest receivable	**101**	86	**15**	18
Revaluation of available-for-sale investments				
- Balance at 1 January	**6,531**	4,468	**-**	-
- (Debited)/credited during the financial year directly against available-for-sale investment reserve	**(969)**	2,063	**-**	-
	5,733	6,716		
Deferred income tax credit			**(14)**	(32)

Deferred tax liabilities of $573,000 (2006: $593,000) have not been established for the withholding and other taxes that would be payable on the unremitted earnings of an overseas subsidiary as such amounts are permanently reinvested. Such unremitted earnings totalled $3,181,000 as at 31 December 2007 (2006: $2,963,000).

17 Reserve for unexpired risks

Movements in reserve for unexpired risks:

	Group					
	2007			2006		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**30,453**	**(17,288)**	**13,165**	29,245	(16,031)	13,214
Foreign currency translation difference	**(49)**	**37**	**(12)**	(73)	54	(19)
Movement in reserve during the financial year	**3,472**	**(775)**	**2,697**	1,281	(1,311)	(30)
Balance at end of the financial year	**33,876**	**(18,026)**	**15,850**	30,453	(17,288)	13,165

	Company					
	2007			2006		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**29,700**	**(16,718)**	**12,982**	28,350	(15,371)	12,979
Movement in reserve during the financial year	**3,531**	**(812)**	**2,719**	1,350	(1,347)	3
Balance at end of the financial year	**33,231**	**(17,530)**	**15,701**	29,700	(16,718)	12,982

18 Deferred acquisition cost

	Group					
	2007			2006		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**3,541**	**(4,736)**	**(1,195)**	3,486	(4,466)	(980)
Foreign currency translation difference	**(11)**	**8**	**(3)**	(17)	11	(6)
Movement in deferred acquisition cost during the financial year	**505**	**38**	**543**	72	(281)	(209)
Balance at end of the financial year	**4,035**	**(4,690)**	**(655)**	3,541	(4,736)	(1,195)

	Company					
	2007			2006		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**3,378**	**(4,618)**	**(1,240)**	3,274	(4,324)	(1,050)
Movement in deferred acquisition cost during the financial year	**515**	**32**	**547**	104	(294)	(190)
Balance at end of the financial year	**3,893**	**(4,586)**	**(693)**	3,378	(4,618)	(1,240)

19 Provision for outstanding claims

Provision for outstanding claims will become payable and materialise into claims paid as and when the amounts of insured losses suffered by policyholders were ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within six years.

The provision is sensitive to many factors such as interpretation of circumstances, legislative changes, judicial decisions and economic conditions and is subject to uncertainties such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the extent of policy coverage and limits applicable; and
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

Movements in provision for outstanding claims:

	Group					
	2007			2006		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**99,268**	**(56,540)**	**42,728**	95,378	(54,332)	41,046
Foreign currency translation difference	**(107)**	**89**	**(18)**	(115)	104	(11)
Claims paid during the financial year	**(17,411)**	**11,630**	**(5,781)**	(20,968)	14,345	(6,623)
Outstanding claims from portfolio transfer	**2,030**	**(754)**	**1,276**	-	-	-
Claims incurred	**24,667**	**(18,133)**	**6,534**	24,973	(16,657)	8,316
Balance at end of the financial year	**108,447**	**(63,708)**	**44,739**	99,268	(56,540)	42,728

	Company					
	2007			2006		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	Gross $'000	Reinsurance $'000	Net $'000
Balance at beginning of the financial year	**97,612**	**(55,159)**	**42,453**	93,964	(53,050)	40,914
Claims paid during the financial year	**(15,150)**	**9,424**	**(5,726)**	(20,645)	14,058	(6,587)
Claims incurred	**22,151**	**(15,611)**	**6,540**	24,293	(16,167)	8,126
Balance at end of the financial year	**104,613**	**(61,346)**	**43,267**	97,612	(55,159)	42,453

19 Provision for outstanding claims (continued)

The following are the Group's and Company's actual claims compared with previous estimates on gross and net basis:

(a) Group

Accident Year	**2000 & prior**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
($'000)									
Estimate of claims incurred* – **gross**									
- at end of accident year		16,472	20,994	18,497	30,622	20,805	27,156	36,587	
- one year later		17,581	22,426	18,874	31,827	20,266	27,997		
- two years later		16,135	22,756	18,222	36,320	19,193			
- three years later		15,722	22,073	18,501	28,324				
- four years later		14,908	17,833	18,199					
- five years later		14,627	17,152						
- six years later		14,225							
Current estimate of cumulative claims		14,225	17,152	18,199	28,324	19,193	27,997	36,587	
Less: cumulative claims paid to date		11,813	13,430	7,040	20,013	10,438	13,538	3,780	
Liability recognised in the balance sheet	4,336	2,412	3,722	11,159	8,311	8,755	14,459	32,807	85,961
Estimate of claims incurred arising from portfolio transfers – **gross**					Non-DOR			HKB	
- as at 1 January of year of transfer					42,309			2,030	
- one year later					36,877			2,019	
- two years later					35,987				
- three years later					35,158				
- four years later					31,325				
Current estimate of cumulative claims					31,325			2,019	
Less: cumulative claims paid to date					10,797			61	
Liability recognised in the balance sheet					20,528			1,958	22,486
Total reserve included in the balance sheet									108,447

* Claims incurred other than claims arising from portfolio transfers from another local insurance company in respect of its Non-Discontinued Offshore Reinsurance Business ("Non-DOR") on 1 January 2004 and in respect of its Hong Kong Business ("HKB") on 1 January 2007.

19 Provision for outstanding claims (continued)

(a) Group (continued)

Accident Year	**2000 & prior**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
($'000)									
Estimate of claims incurred* – **net**									
- at end of accident year		6,605	5,383	4,805	12,298	8,434	10,024	11,275	
- one year later		7,475	5,865	5,166	14,448	8,763	10,038		
- two years later		7,224	6,012	4,957	14,078	8,267			
- three years later		7,100	5,665	4,904	12,986				
- four years later		6,872	5,518	4,496					
- five years later		6,779	5,305						
- six years later		6,462							
Current estimate of cumulative claims		6,462	5,305	4,496	12,986	8,267	10,038	11,275	
Less: cumulative claims paid to date		5,564	4,236	2,948	8,412	4,468	4,530	1,168	
Liability recognised in the balance sheet	3,219	898	1,069	1,548	4,574	3,799	5,508	10,107	30,722

Estimate of claims incurred arising from portfolio transfers – **net**	Non-DOR	HKB	Total
- as at 1 January of year of transfer	21,704	1,276	
- one year later	19,902	1,257	
- two years later	20,915		
- three years later	20,460		
- four years later	18,078		
Current estimate of cumulative claims	18,078	1,257	
Less: cumulative claims paid to date	5,279	39	
Liability recognised in the balance sheet	12,799	1,218	14,017
Total reserve included in the balance sheet			44,739

* Claims incurred other than claims arising from portfolio transfers from another local insurance company in respect of its Non-Discontinued Offshore Reinsurance Business ("Non-DOR") on 1 January 2004 and in respect of its Hong Kong Business ("HKB") on 1 January 2007.

19 Provision for outstanding claims (continued)

(b) Company

Accident Year	**2000 & prior**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
($'000)									
Estimate of claims incurred* – **gross**									
- at end of accident year		16,415	20,948	18,488	29,952	19,476	25,614	35,096	
- one year later		17,530	22,377	18,870	31,033	19,879	27,680		
- two years later		16,084	22,706	18,219	35,629	18,708			
- three years later		15,671	22,022	18,498	27,669				
- four years later		14,857	17,788	18,196					
- five years later		14,581	17,110						
- six years later		14,182							
Current estimate of cumulative claims		14,182	17,110	18,196	27,669	18,708	27,680	35,096	
Less: cumulative claims paid to date		11,770	13,402	7,037	19,459	10,108	13,334	3,730	
Liability recognised in the balance sheet	4,284	2,412	3,708	11,159	8,210	8,600	14,346	31,366	84,085
Estimate of claims incurred arising from portfolio transfers – **gross**					Non-DOR				
- as at 1 January of year of transfer					42,309				
- one year later					36,877				
- two years later					35,987				
- three years later					35,158				
- four years later					31,325				
Current estimate of cumulative claims					31,325				
Less: cumulative claims paid to date					10,797				
Liability recognised in the balance sheet					20,528				20,528
Total reserve included in the balance sheet									104,613

* Claims incurred other than claims arising from portfolio transfers from another local insurance company in respect of its Non-Discontinued Offshore Reinsurance Business ("Non-DOR") on 1 January 2004.

19 Provision for outstanding claims (continued)

(b) Company (continued)

Accident Year	**2000 & prior**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
($'000)									
Estimate of claims incurred* – **net**									
- at end of accident year		6,595	5,365	4,804	12,267	8,343	9,785	11,076	
- one year later		7,468	5,846	5,165	14,406	8,724	10,003		
- two years later		7,217	5,993	4,956	14,048	8,228			
- three years later		7,093	5,646	4,903	12,959				
- four years later		6,865	5,507	4,495					
- five years later		6,772	5,294						
- six years later		6,456							
Current estimate of cumulative claims		6,456	5,294	4,495	12,959	8,228	10,003	11,076	
Less: cumulative claims paid to date		5,558	4,231	2,947	8,393	4,436	4,500	1,167	
Liability recognised in the balance sheet	3,189	898	1,063	1,548	4,566	3,792	5,503	9,909	30,468
Estimate of claims incurred arising from portfolio transfers – **net**					Non-DOR				
- as at 1 January of year of transfer					21,704				
- one year later					19,902				
- two years later					20,915				
- three years later					20,460				
- four years later					18,078				
Current estimate of cumulative claims					18,078				
Less: cumulative claims paid to date					5,279				
Liability recognised in the balance sheet					12,799				12,799
Total reserve included in the balance sheet									43,267

* Claims incurred other than claims arising from portfolio transfers from another local insurance company in respect of its Non-Discontinued Offshore Reinsurance Business ("Non-DOR") on 1 January 2004.

20 Amount due from policyholders and agents

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Amount due from policyholders and agents	**3,941**	4,424	**3,695**	4,153
Less: Allowance for doubtful debts	**(39)**	(2)	**(39)**	(2)
	3,902	4,422	**3,656**	4,151

These amounts are unsecured and non-interest bearing with payment terms not exceeding 90 days.

21 Amount due from reinsurers

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Amount due from reinsurers	**3,213**	2,962	**3,206**	2,903
Less: Allowance for doubtful debts	**(54)**	(203)	**(54)**	(203)
	3,159	2,759	**3,152**	2,700

These amounts are unsecured and non-interest bearing with payment terms not exceeding 90 days.

22 Fixed assets

(a) Group and Company

	Furniture and fixtures $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Cost				
At 1 January 2006	189	1,898	82	2,169
Additions	-	84	-	84
Disposals	-	(41)	-	(41)
At 31 December 2006 and 1 January 2007	189	1,941	82	2,212
Additions	-	88	49	137
Disposals	-	(92)	(82)	(174)
At 31 December 2007	**189**	**1,937**	**49**	**2,175**
Accumulated depreciation				
At 1 January 2006	80	1,212	82	1,374
Depreciation charge for the year	14	336	-	350
Disposals	-	(41)	-	(41)
At 31 December 2006 and 1 January 2007	94	1,507	82	1,683
Depreciation charge for the year	14	189	1	204
Disposals	-	(92)	(82)	(174)
At 31 December 2007	**108**	**1,604**	**1**	**1,713**
Net book value				
At 31 December 2006	95	434	-	529
At 31 December 2007	**81**	**333**	**48**	**462**

22 Fixed assets (continued)

(b) Fully depreciated assets

Original cost of fully depreciated assets still in use as at 31 December 2007 amounted to $1,033,000 (2006: $1,136,000).

23 Investment in subsidiary

	2007	2006
	$'000	$'000
Unquoted equity shares, at cost	**4,940**	4,940

The wholly-owned subsidiary is UOB Insurance (H.K.) Limited*, incorporated in Hong Kong S.A.R. The subsidiary underwrites general insurance business in Hong Kong S.A.R.

* Audited by a member firm of Ernst & Young Global in Hong Kong S.A.R.

24 Available-for-sale investments

	Group and Company	
	2007	2006
	Fair value	Fair value
	$'000	$'000
(i) **Quoted ***		
Equity shares in corporations	**70,163**	51,065
Debentures in corporations	**5,967**	-
Singapore Government securities	**7,184**	-
	83,314	51,065
(ii) **Unquoted ****		
Equity shares in related corporations	**5,000**	5,000
Equity shares in a corporation	**1**	1
Less: Provision for impairment	**(5,000)**	(5,000)
	1	1
Total	**83,315**	51,066

* The fair value of quoted investments is determined by quoted prices listed on a recognised exchange, independent broker quotations or published prices.

The quoted debentures bear an effective weighted average interest rate of 3.61% (2006: Nil) per annum with maturity dates from November 2009 to November 2017 (2006: Nil).

The government securities bear an effective weighted average interest rate of 3.26% (2006: Nil) per annum with maturity dates September 2020 (2006: Nil).

** These assets are carried at cost less impairment losses. It is not practicable to determine with sufficient reliability the fair value of unquoted equity shares.

25 Non-current debtors

Included in non-current debtors is a loan to an executive director who is employed on a full-time basis by the Company, amounting to $14,000 (2006: $35,000). The portion of the loan which is due within one year, amounting to $21,000 (2006: $21,000), is included in non-trade debtors and accrued interest receivable under current assets.

26 Statutory deposit

The statutory deposit of $500,000 (2006: $500,000) was lodged by the Company with the Monetary Authority of Singapore as required under Section 14(1) of the Singapore Insurance Act, Cap. 142.

27 Non-trade debtors and accrued interest receivable

Non-trade debtors and accrued interest receivable include accrued interest receivable from:

	Group		**Company**	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Holding company	**136**	33	**135**	32
Fellow subsidiaries	**6**	9	**6**	9
	142	42	**141**	41

These amounts are unsecured, interest-free and refundable on demand.

28 Amount owing by related companies

	Group		**Company**	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Amount owing by:				
Holding company – trade	**6**	30	**6**	30
Subsidiary – non-trade	**-**	-	**60**	76
	6	30	**66**	106

The non-trade balance due from the subsidiary is unsecured, interest-free and repayable on demand.

29 Investments at fair value through profit or loss

	Group and Company	
	2007	2006
	Fair value	Fair value
	$'000	$'000
(i) **Quoted**		
Equity shares in corporations	**6,788**	28,501
Debentures in corporations	**36,090**	36,074
Singapore Government securities	**8,409**	9,288
(ii) **Unquoted**		
Unit trusts (marketable)	**32,623**	35,717
Debentures in corporations	**2,690**	2,649
	86,600	112,229

29 Investments at fair value through profit or loss (continued)

The fair value of quoted and unquoted investments is determined by quoted prices listed on a recognised exchange, independent broker quotations or published prices.

The quoted and unquoted debentures bear an effective weighted average interest rate of 3.92% (2006: 3.83%) and 5.00% (2006: 5.00%) respectively per annum with maturity dates from February 2008 to May 2027 (2006: February 2007 to May 2014).

The government securities bear an effective weighted average interest rate of 3.71% (2006: 3.63%) per annum with maturity dates from January 2009 to March 2027 (2006: January 2009 to July 2011).

30 Fixed deposits

	Group		**Company**	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Fixed deposits with:				
Holding company	**72,791**	30,918	**66,874**	24,905
Fellow subsidiaries	**1,330**	1,293	**1,330**	1,293
Other financial institutions	**26,126**	36,550	**25,678**	36,089
	100,247	68,761	**93,882**	62,287

The fixed deposits with the holding company, fellow subsidiaries and other financial institutions for the Group and the Company mature on varying dates within 3 months (2006: 3 months) from the financial year end. The weighted average effective interest rates of these deposits at 31 December 2007 for the Group and the Company were 2.23% (2006: 3.31%) and 2.07% (2006: 3.15%) respectively per annum.

31 Cash and bank balances

	Group		**Company**	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Bank balances with:				
Holding company	**5,459**	3,795	**3,281**	2,910
Fellow subsidiaries	**728**	687	**728**	687
Other financial institutions	**977**	337	**977**	337
Cash on hand	**2**	2	**2**	2
	7,166	4,821	**4,988**	3,936

32 Collateral received

The Group and the Company have fixed deposits of $949,000 (2006: $672,000) and bank balances of $73,000 (2006: $59,000) held as collateral against performance bonds issued on behalf of policyholders throughout the period of the insurance policies. The fair values of the collateral as at the balance sheet date approximate their carrying amounts.

33 Commitments

At the balance sheet date, the Group and the Company have rental commitments under a non-cancellable operating lease. The minimum lease payments are:

	Group and Company	
	2007	2006
	$'000	$'000
Lease which expires:		
Within one year	**653**	653
Between one and three years	**599**	1,252
	1,252	1,905

34 Related party transactions

The following related party transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

	Group		Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Gross premium income from:				
- Holding company	**9,869**	10,101	**9,812**	9,940
- Related companies	**344**	471	**344**	473
Commission expenses paid to:				
- Holding company	**3,338**	3,099	**3,328**	3,062
- Related companies	**1**	-	**1**	-
Gross claims incurred from:				
- Holding company	**3,899**	(3,316)	**3,899**	(3,316)
- Related companies	**22**	25	**22**	25
Rental paid to an associated company of the holding company	**653**	449	**653**	449
Management fee received from an associated company of the holding company	**750**	764	**750**	764
Management fee charged by a related company	**532**	453	**532**	453
Interest income earned from:				
- Holding company	**1,486**	1,292	**1,202**	1,018
- Related companies	**44**	50	**44**	50
Directors' remuneration:				
- Directors of the Company	**631**	534	**630**	534
- Directors of subsidiary	**1**	1	**-**	-

On 1 January 2007, the Company's wholly-owned subsidiary acquired the insurance portfolio pertaining to the Hong Kong Branch Business of Overseas Union Insurance, Limited ("OUI"), which is an associated company of the holding company. In accordance with the Agreement of Portfolio Transfer dated 27 August 2007, HK$6,587,000 was paid by OUI to the Company's wholly-owned subsidiary as consideration for the transfer.

Directors' remuneration included fees, salary, bonus, Central Provident Fund contribution and other emoluments (including benefits-in-kind) computed based on cost incurred by the Group and the Company.

35 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 are relatively insignificant.

36 Financial risk factors and management

The Group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures. The Group does not consider its exposure to foreign exchange risk to be significant and therefore does not regularly enter into forward contracts to manage this risk. However, when necessary, the Group will use forward contracts to hedge its exposure to foreign exchange risk.

Due to the business operation of its Hong Kong subsidiary, the Group's balance sheet can be affected by movements in the exchange rate between the Hong Kong dollar and the local reporting currency. The Group also has transactional currency exposures arising from its offshore business and the business operation of the Hong Kong subsidiary.

The Group monitors its exposure in each foreign currency as well as its aggregate exposure in all foreign currencies on a regular basis. The Group's net position in foreign currencies is as follows:

	Group			
	Total net assets/(liabilities) position			
	2007		2006	
	Amount in foreign currency 1,000 units	**Amount in reporting currency $'000**	Amount in foreign currency 1,000 units	Amount in reporting currency $'000
Malaysian Ringgit	**8,649**	**3,761**	(275)	(120)
Thai Baht	**(13,077)**	**(626)**	15,082	655
US Dollar	**55**	**79**	443	679
Hong Kong Dollar	**37,014**	**6,822**	31,717	6,251
Philippines Peso	**-**	**-**	1,824	57
Indonesian Rupiah	**(598,144)**	**(92)**	618,915	105
Japanese Yen	**(39,383)**	**(506)**	(31,297)	(413)
Euro	**(179)**	**(380)**	(332)	(664)
New Taiwan Dollar	**103**	**5**	-	-
Korean Won	**(67,198)**	**(103)**	-	-
Australian Dollar	**2,105**	**2,666**	-	-
British Pound	**1**	**2**	-	-
		11,628		6,550

36 Financial risk factors and management (continued)

(a) Foreign exchange risk (continued)

The following table shows the sensitivity of the Group's profit before tax and the Group's equity to a reasonable possible change in the Singapore dollar exchange rate against all other currencies, with all other variables held constant:

	Increase/ decrease in $ exchange rate	Effect on profit before tax $'000	Effect on equity $'000
2007	**+5%**	**(238)**	**(343)**
	-5%	**238**	**343**
2006	+5%	15	(345)
	-5%	(15)	345

(b) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's operating cash outflow commitment is substantially independent of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the interest income from the Group's fixed deposits and the fair value of debentures held for trading and available for sale.

During 2007 and as at 31 December 2007, if interest rates had been 10 basis points higher, with all other variables held constant, the Group's profit before tax for the year was estimated to be $57,268 lower (2006: $88,549), due mainly to higher interest income from fixed deposits and unrealised loss on debentures held as investments at fair value through profit or loss. The Group's equity as at 31 December 2007 was estimated to be $99,715 lower (2006: Nil) due to unrealised loss on available-for-sale debentures. If interest rates, during 2007 and as at 31 December 2007, had been 10 basis points lower, with all other variables held constant, the Group's profit before tax for the year was estimated to be $57,268 higher (2006: $88,549), due mainly to lower interest income from fixed deposits and unrealised gain on debentures held as investments at fair value through profit or loss. The Group's equity as at 31 December 2007 was estimated to be $99,715 higher (2006: Nil) due to unrealised gain on available-for-sale debentures.

(c) Credit risk

The Group has no significant concentration of credit risk.

The Group has credit control policies in place to ensure that sales made to customers and recoveries from reinsurers are duly collected. The Group has also established a selection and management policy for reinsurers to ensure that they are financially sound.

Notwithstanding the measures taken, the failure of one or more of the Group's policyholders, agents, ceding companies, reinsurers and other counter-parties to honour their contractual obligations, may result in doubtful or bad debts being incurred and this will adversely affect the Group's financial position.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

36 Financial risk factors and management (continued)

(c) Credit risk (continued)

The Group generally considers that balances outstanding for more than 90 days as due. The aging summary of balances due to the Group is as follows:

	Group					
	2007			2006		
	Below 6 months	**Over 6 months**	**Total**	Below 6 months	Over 6 months	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Amount due from policyholders and agents	**3,411**	**531**	**3,942**	4,054	374	4,428
Provision for doubtful debts			**(39)**			(2)
Exchange difference			**(1)**			(4)
			3,902			4,422
Amount due from reinsurers	**2,101**	**1,150**	**3,251**	2,138	831	2,969
Provision for doubtful debts			**(54)**			(203)
Exchange difference			**(38)**			(7)
			3,159			2,759

Movements in the provision for doubtful debts are as follows:

	Group	
	2007	2006
	$'000	$'000
Balance at 1 January	**205**	443
Bad debts written-off against provision account	**(152)**	(13)
Charged to insurance revenue account	**40**	3
Write-back of provision for doubtful debts	**-**	(228)
Balance at 31 December	**93**	205

Amounts due from policyholders, agents and reinsurers are mainly creditworthy debtors with good payment record.

With regard to other financial assets of the Group, which comprise cash and bank balances, fixed deposits, receivables and investments, they are placed with or entered into with reputable financial institutions or companies with high credit rating and no history of default. The Group's exposure to credit risk, arising from default of the counterparty, has a maximum exposure equal to the carrying amount of these assets in the balance sheet.

(d) Liquidity risk

The Group is not exposed to significant liquidity risk.

Liquidity risk is the risk that the Group is unable to meet its cash outflow commitments as and when they fall due. These commitments are generally met through cash and time deposits held by the Group and cash inflows generated from its operation, supplemented by assets readily convertible into cash. Liquidity risk may also arise if the cash flows related to assets and liabilities are mismatched.

Due to the nature of its business, the Group's policy and claim liabilities, which comprise reserve for unexpired risks and provision for outstanding claims, are expected to be short-tail, without contractual maturity date, and likely to be materialised within six years. The Group's available-for-sale investments and investments at fair value through profit or loss are mainly marketable securities. The carrying amount of these liabilities and investments are as shown in the Group's balance sheet. In view of the nature of its business and type of assets owned, maturity mismatch is unlikely.

36 Financial risk factors and management (continued)

(d) Liquidity risk (continued)

The Group has formulated a liquidity policy to manage its liquidity risk. It is the Group's policy to maintain adequate liquidity at all times. The Group aims to honour all cash outflow commitments on an on-going basis and to avoid raising funds from credit facilities or through the forced sale of investments.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments and has established an investment policy, which sets maximum exposure limits for its investment portfolio. These quoted equity instruments are listed on the SGX-ST in Singapore or other regulated stock exchanges overseas and are classified as held for trading or available-for-sale financial assets.

At the balance sheet date, if the market prices of the equity investments had been 2% higher/lower (2006: 2%) with all other variables held constant, the Group's profit net of tax would have been $111,000 higher/lower (2006: $456,000), arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's equity would have been $1,151,000 higher/lower (2006: $817,000), arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

The Group does not have exposure to commodity price risk.

37 Fair values of financial instruments

The financial assets and financial liabilities of the Group and the Company comprise its available-for-sale investments, current assets and current liabilities, with the exception of taxation. Other than the fair values of quoted and unquoted investments as detailed in Notes 24 and 29, the fair values of the financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheet.

38 Comparative figures

Where necessary, comparative figures have been reclassified to conform to the current year's presentation.

39 Authorisation of financial statements

The financial statements were authorised for issue in accordance with a resolution of the directors on 25 February 2008.

STATISTICS OF SHAREHOLDINGS

as at 10 March 2008

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	336	16.46	102,630	0.17
1,000 – 10,000	1,368	66.99	4,962,949	8.11
10,001 – 1,000,000	337	16.50	20,381,921	33.33
1,000,001 and above	1	0.05	35,707,500	58.39
Total	2,042	100.00	61,155,000	100.00

Public Float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public.

Based on information available to the Company as at 10 March 2008, approximately 41% of the issued ordinary shares of the Company was held by the public and therefore, Rule 723 of the Listing Manual has been complied with.

Twenty Largest Shareholders (As shown in the Register of Members and Depository Register)

No.	Name of Shareholder	No. of Shares	%
1	Tye Hua Nominees Private Limited	35,707,500	58.39
2	Citibank Nominees Singapore Pte Ltd	914,100	1.50
3	Chong Chew Lim @ Chong Ah Kau	870,000	1.42
4	Ng Poh Cheng	681,550	1.11
5	India International Insurance Pte Ltd	603,750	0.99
6	Lim Jun Ying	600,000	0.98
7	Yim Chee Chong	570,000	0.93
8	Chan Tut Sai	482,000	0.79
9	Chen Swee Kwong	464,000	0.76
10	Singapore Reinsurance Corporation Ltd - Shareholders	455,000	0.74
11	Ng Ean Nee	450,000	0.74
12	Chong Chin Chin (Zhang Jingjing)	442,000	0.72
13	Chong Kian Chun (Zhang Jianjun)	432,000	0.71
14	United Overseas Bank Nominees Pte Ltd	411,755	0.67
15	Tenet Insurance Company Ltd	375,000	0.61
16	Yeoh Phaik Ean	375,000	0.61
17	Cheong Soo Kiong	333,000	0.55
18	Tan Chong Hock	317,250	0.52
19	Tang Ngiik Ung @ Tang Nguik Huat	292,000	0.48
20	Thia Cheng Song	274,000	0.45
	Total	45,049,905	73.67

Substantial Shareholder (As shown in the Register of Substantial Shareholder)

Name of substantial shareholder	Shareholding registered in the name of substantial shareholder	Other shareholding in which the substantial shareholder is deemed to have an interest
	No. of Shares	No. of Shares
United Overseas Bank Limited	-	35,707,500

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **Thirty-Seventh Annual General Meeting** of members of the Company will be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Wednesday, 30 April 2008 at 12.00 noon to transact the following business:

As Ordinary Business

Resolution 1 To receive the Financial Statements, the Directors' Report and the Auditors' Report for the year ended 31 December 2007.

Resolution 2 To declare a Final One-Tier Tax-Exempt Dividend of 12 cents per share for the year ended 31 December 2007.

Resolution 3 To approve Directors' fees of $165,000 for 2007 (2006: $107,500).

Resolution 4 To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.

Resolution 5 To re-elect Dr Lee Soo Ann as Director.

To pass the following resolution under Section 153(6) of the Companies Act, Cap. 50:

"THAT pursuant to Section 153(6) of the Companies Act, Cap. 50, ____________ be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting of the Company."

in respect of:

Resolution 6 Mr Wee Cho Yaw.

Resolution 7 Mr Hwang Soo Jin.

Resolution 8 Mr Yang Soo Suan.

As Special Business

To consider and, if thought fit, pass the following ordinary resolution:

Resolution 9 "THAT authority be and is hereby given to the Directors of the Company to:

(a) (1) issue ordinary shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/ or

(2) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of ordinary shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time this Resolution is passed, after adjusting for:

    (i) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

    (ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

Notes to Resolutions 2, 5, 6, 7, 8 and 9

Resolution 2 is to approve dividend which is scheduled to be paid on 26 May 2008.

Resolution 5 is to re-elect Dr Lee Soo Ann who is an independent member of the Audit Committee.

Resolution 6 is to re-appoint Mr Wee Cho Yaw. Mr Wee is a non-independent member and Chairman of the Remuneration Committee, and a non-independent member of the Nominating Committee.

Resolution 7 is to re-appoint Mr Hwang Soo Jin. Mr Hwang is an independent member and Chairman of the Nominating Committee, and an independent member of the Audit and Remuneration Committees.

Resolution 8 is to re-appoint Mr Yang Soo Suan. Mr Yang is an independent member and Chairman of the Audit Committee, and an independent member of the Nominating and Remuneration Committees.

Resolution 9 is to empower the Directors to issue ordinary shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into ordinary shares, and to issue ordinary shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the total number of issued shares, excluding treasury shares, in the capital of the Company, but with a sub-limit of 20 per cent for issue of shares other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of ordinary shares that may be issued, the percentage of issued shares in the capital shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that Resolution 9 is passed, after adjusting for (a) new ordinary shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of ordinary shares.

By Order of the Board

Vivien Chan
Secretary
Singapore, 4 April 2008

Notes:

1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2 To be effective, the instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, 4th Storey, UOB Plaza 1, Singapore 048624 (Attention: The Company Secretary), not less than 48 hours before the time set for holding the meeting.

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PROXY FORM

IMPORTANT

1. The Annual Report 2007 is sent to investors who have used their CPF monies to buy shares of United Overseas Insurance Limited, FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

UNITED OVERSEAS INSURANCE LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No.: 197100152R

I/We ______________________________ (Name)

of ______________________________ (Address)

being a member/ members of United Overseas Insurance Limited ("the Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the **Chairman of the Meeting** as my/our proxy, to attend and vote for me/us on my/our behalf at the **Thirty-Seventh Annual General Meeting** of members of the Company, to be held at the Penthouse of United Overseas Bank Limited, 80 Raffles Place, 61st Storey, UOB Plaza 1, Singapore 048624 on Wednesday, 30 April 2008 at 12.00 noon and at any adjournment thereof.

(Please indicate with an "X" in the space provided how you wish your proxy to vote. In the absence of specific directions, the proxy will vote as the proxy deems fit.)

No.	Ordinary Resolutions	For	Against
Resolution 1	Financial Statements, Directors' Report & Auditors' Report		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Resolution 4	Auditors & their remuneration		
Resolution 5	Re-election (Dr Lee Soo Ann)		
Resolution 6	Re-appointment (Mr Wee Cho Yaw)		
Resolution 7	Re-appointment (Mr Hwang Soo Jin)		
Resolution 8	Re-appointment (Mr Yang Soo Suan)		
Resolution 9	Authority to issue shares		

Dated this __________ day of ________________ 2008

Shares in:	No. of Shares
(i) Depository Register	
(ii) Register of Members	
Total:	

____
Signature(s) or Common Seal of Shareholder(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF.

Notes:

1 Please insert the number of shares held by you and registered in your name in the Depository Register of The Central Depository (Pte) Limited and in the Register of Members. If no number is inserted, the instrument of proxy will be deemed to relate to all the shares held by you.

2 A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

3 Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4 Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy, to the meeting.

5 The instrument appointing a proxy or proxies must be deposited at 80 Raffles Place, 4th Storey, UOB Plaza 1, Singapore 048624 (Attention: The Company Secretary), not less than 48 hours before the time appointed for the meeting.

6 The instrument appointing a proxy or proxies must be signed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (if not previously registered with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7 A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

8 The Company shall be entitled to reject the instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

9 Agent Banks acting on the request of CPF Investors who wish to attend the meeting as observers are required to submit in writing, a list with details of the investors' names, NRIC/Passport numbers, addresses and number of shares held. The list should be signed by an authorised signatory of the agent bank and should reach the Company Secretary, at the registered office of the Company not later than 48 hours before the time appointed for holding the meeting.

1st FOLD

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The Company Secretary
80 Raffles Place, 4th Storey, UOB Plaza 1
Singapore 048624

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REGISTERED OFFICE
80 Raffles Place
UOB Plaza
Singapore 048624
Company Registration No.: 197100152R

Telephone : (65) 6533 9898
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Website : www.uoi.com.sg