



UNITED OVERSEAS INSURANCE LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No.197100152R

PROPOSED BONUS DIVIDEND AND RIGHTS ISSUE

1. INTRODUCTION

1.1 **Bonus Dividend and Rights Issue.** The directors (“**Directors**”) of United Overseas Insurance Limited (the “**Company**”) wish to announce the following exercises to be undertaken by the Company:

- (a) a proposed interim bonus cash dividend for the financial year ending 31 December 2007 of 85 cents less tax of 18% (or 69.7 cents net) (“**Bonus Dividend**”) per ordinary share of the Company (“**Share**”), in respect of Shares held as at a books closure date to be announced by the Company (“**Books Closure Date**”), amounting in aggregate to approximately S\$28.42 million net; and
- (b) a proposed renounceable non-underwritten rights issue of up to 20,385,000 new Shares (“**Rights Shares**”), at an issue price of S\$2.50 for each Rights Share (“**Issue Price**”) on the basis of one (1) Rights Share for every two (2) existing Shares held by Entitled Shareholders (as defined below) as at the Books Closure Date, fractional entitlements to be disregarded (“**Rights Issue**”), amounting in aggregate to approximately S\$50.96 million in gross proceeds.

1.2 **Share Issue Mandate.** The issue of the Rights Shares will be made pursuant to the authority granted by the share issue mandate approved by shareholders of the Company (“**Shareholders**”) at the Annual General Meeting of the Company held on 27 April 2007.

1.3 **Manager.** UOB Asia Limited (“**UOB Asia**”) has been appointed as the Manager of the Rights Issue.

2. PURPOSES OF THE BONUS DIVIDEND AND RIGHTS ISSUE AND USE OF PROCEEDS

2.1 **Bonus Dividend.** The purpose of the Bonus Dividend is to reward Shareholders. The Bonus Dividend will come with tax credits available under Section 44A of the Income Tax Act, Chapter 134 of Singapore, which will then be passed on to Shareholders. At the same time, the Bonus Dividend will provide Entitled Shareholders with an option to re-invest all or part of their Net Bonus Dividend (as defined below) by subscribing for the Rights Shares.

- 2.2 **Rights Issue.** The Rights Issue has been proposed to strengthen the capital base of the Company following the payment of the Bonus Dividend. The Bonus Dividend payout, undertaken at the same time as the Rights Issue will enable the Company to in effect transform a substantial amount of the Company's retained profits into share capital (equivalent to the net amount of the Bonus Dividend ("**Net Bonus Dividend**") proposed to be paid to Shareholders).
- 2.3 **Use of Proceeds.** Assuming that the Rights Issue is fully subscribed, the estimated net proceeds from the Rights Issue after taking into account estimated expenses of approximately S\$0.30 million for the Rights Issue are expected to be approximately S\$50.66 million, while the net cash inflow to the Company after taking into account the Net Bonus Dividend payable is expected to be approximately S\$22.24 million.

Assuming that the Rights Issue is fully subscribed, the Company intends to use the net proceeds from the Rights Issue following the payment of the Net Bonus Dividend to strengthen its capital base, enable the Company and its subsidiary (the "**Group**") to expand their operations locally and in the region, better position the Group to take advantage of opportunities for business growth available from time to time and for working capital purposes. Pending deployment of the net proceeds for the purposes mentioned above, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate.

3. **BONUS DIVIDEND**

- 3.1 **Terms.** Under the terms of the Bonus Dividend, all Shareholders as at the Books Closure Date will receive a cash dividend of 85 cents less tax of 18% (or 69.7 cents net) per Share.
- 3.2 **Election Option.** Entitled Shareholders will have an option to utilise all or part of the Net Bonus Dividend which they are entitled to receive based on the Shares held by them as at the Books Closure Date to subscribe for the Rights Shares ("**Election Option**"). Further details are set out in paragraph 4.2 below. For the avoidance of doubt, Foreign Shareholders (as defined below) will not be offered the Rights Shares but will qualify for the Bonus Dividend, based on the number of Shares held by them as at the Books Closure Date.
- 3.3 **Size.** For illustrative purposes only, based on the total number of issued Shares as at the date of this Announcement and assuming that there is no change in the total number of issued Shares as at the Books Closure Date, the aggregate Net Bonus Dividend would be approximately S\$28.42 million.
- 3.4 **Payment of Net Bonus Dividend.** Shareholders whose names appear in the records of The Central Depository (Pte) Limited ("**CDP**") or the Register of Members of the Company, as the case may be, as at the Books Closure Date and in the case of Entitled Shareholders, who have not elected to utilise in full their Net Bonus Dividend towards the subscription of the Rights Shares provisionally allotted to them, will have the cheques for payment of their entitlements to the Net Bonus Dividend, less the amount of Net Bonus Dividend utilised to subscribe for the Rights Shares, if applicable, despatched to them by ordinary post at their own risk to their respective addresses as they appear in the records of CDP or in the Register of Members of the Company, as the case may be. Where such Shareholders have instructed CDP to directly credit their bank accounts with their dividends and other distributions, the

payment of such Net Bonus Dividend will be directly credited by CDP to their designated bank accounts.

4. RIGHTS ISSUE

- 4.1 **Terms.** The Company is proposing the Rights Issue to be offered on a renounceable non-underwritten basis to Entitled Shareholders on the basis of one (1) Rights Share for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded. The Issue Price is proposed to be S\$2.50 per Rights Share.

Entitled Shareholders will be entitled to participate in the Rights Issue and receive the Offer Information Statement (as defined below) together with the appropriate application forms and accompanying documents at their respective Singapore addresses.

The Issue Price represents a discount of approximately 47.0% to the closing price of S\$4.72 per Share on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 4 May 2007, being the last trading day of the Shares on the SGX-ST prior to the date of this Announcement.

In the allotment of any excess Rights Shares, preference will be given to the rounding of odd lots and the Directors and substantial Shareholders shall rank last in priority.

- 4.2 **Availability of Election Option.** Entitled Shareholders will have an option to elect to utilise all or part of the Net Bonus Dividend which they are entitled to receive based on the Shares held by them as at the Books Closure Date to subscribe for the Rights Shares that are provisionally allotted to them. By electing to utilise all of the Net Bonus Dividend towards the payment for the subscription of Rights Shares that are provisionally allotted to Entitled Shareholders, such Entitled Shareholders will be able to pay for 55.76% of the subscription price of the Rights Shares that are provisionally allotted to them without any cash outlay on their part. However, additional cash outlay will be required if these Entitled Shareholders intend to subscribe for all of the Rights Shares that are provisionally allotted to them.

For illustrative purposes only, an Entitled Shareholder who holds 10,000 Shares as at the Books Closure Date will be entitled:

- (a) to receive the Net Bonus Dividend of 69.7 cents in respect of each Share, which amounts to S\$6,970 that is receivable by such Entitled Shareholder; and
- (b) to accept his provisional allotment of 5,000 Rights Shares at S\$2.50 for each Rights Share, which amounts to S\$12,500 that is payable by such Entitled Shareholder.

Such Entitled Shareholder may elect to utilise the whole of the S\$6,970 of Net Bonus Dividend together with an additional cash outlay of S\$5,530 to subscribe for all of his provisional allotment of Rights Shares, in which event he will receive 5,000 Rights Shares.

To the extent that the Net Bonus Dividend is not used by the Entitled Shareholders to pay for the Rights Shares, it will be paid to them on the Net Bonus Dividend payment date. For the avoidance of doubt, Foreign Shareholders (as defined below) will not be offered the Rights Shares but will qualify for the Net Bonus Dividend, based on the number of Shares held by them as at the Books Closure Date.

- 4.3 **Size.** For illustrative purposes only, based on the number of issued Shares as at the date of this Announcement and assuming that there is no change in the number of issued Shares as at the Books Closure Date and that all Entitled Shareholders elect to subscribe for the Rights Shares, 20,385,000 Rights Shares will be issued.
- 4.4 **Eligibility of Shareholders to Participate in the Rights Issue.** The Company proposes to provisionally allot Rights Shares to all Shareholders who are eligible to participate in the Rights Issue as at the Books Closure Date (“**Entitled Shareholders**”), comprising Entitled Depositors and Entitled Scripholders (both as defined below).
- 4.5 **Entitled Depositors.** Shareholders whose Shares are registered in the name of CDP and whose Securities Accounts with CDP are credited with Shares as at the Books Closure Date (“**Depositors**”) will be provisionally allotted their entitlements on the basis of the number of Shares standing to the credit of their Securities Accounts with CDP as at the Books Closure Date. “**Entitled Depositors**” are Depositors whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least five (5) Market Days (a Market Day being a day on which the SGX-ST is open for securities trading) prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents.
- 4.6 **Entitled Scripholders.** Duly completed and stamped transfers (in respect of Shares not registered in the name of CDP) together with all relevant documents of title received up to the Books Closure Date by the Company’s Share Registrar, Lim Associates (Pte) Ltd at 3 Church Street #08-01, Samsung Hub, Singapore 049483, will be registered to determine the provisional entitlements of the transferee (a “**Scripholder**”, which term shall include a person who is registered as a holder of Shares and whose share certificates are not deposited with CDP) under the Rights Issue. “**Entitled Scripholders**” are Scripholders whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least five (5) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents.
- 4.7 **Foreign Shareholders.** For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights Shares will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) Market Days prior to the Books Closure Date, provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents (“**Foreign Shareholders**”). The offer information statement (“**Offer Information Statement**”) in relation to and for the purposes of the Rights Issue and the accompanying documents to be issued by the Company will not be mailed outside Singapore. Entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders will, if practicable, be sold “nil-paid” on the SGX-ST after dealings in the provisional allotments of Rights Shares commence.

Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto. The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings as at the Books Closure Date and sent to them at their own risk by ordinary post, provided that where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the

Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, UOB Asia, CDP, the Share Registrar and their respective officers in connection therewith. Where such provisional allotments of Rights Shares are sold “nil-paid” on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, UOB Asia, CDP, the Share Registrar and their respective officers in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

- 4.8 **Provisional Allotments.** Entitled Shareholders will be at liberty to accept, decline, renounce or trade their provisional allotments of the Rights Shares and will be eligible to apply for Rights Shares in excess of their provisional allotments under the Rights Issue. Entitlements which are not allotted or taken up for any reason (including any fractions of a Rights Share) will be aggregated and issued to satisfy applications, if any, for excess Rights Shares or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.
- 4.9 **Offer Information Statement.** The terms and conditions of the Rights Issue may be subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.
- 4.10 **Ranking.** The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued Shares, except that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls before the date of allotment and issue of the Rights Shares.
- 4.11 **Non-Underwritten Rights Issue.** As the Group has sufficient internal resources to fund the Net Bonus Dividend payout regardless of the outcome of the Rights Issue, and in view of the Election Option and the Irrevocable Undertaking (as defined in paragraph 5 below) by United Overseas Bank Limited (“UOB”), the Company has decided to proceed with the Rights Issue on a non-underwritten basis. Assuming that the Net Bonus Dividend is utilised to subscribe for the Rights Shares, the Rights Issue will in effect transform such an amount of the Company’s retained profits into share capital.

The Directors are of the reasonable opinion that there is no minimum amount which must be raised from the Rights Issue, as the Company has sufficient internal resources to fund the full Net Bonus Dividend payout, if required.

- 4.12 **Odd Lots.** Shareholders should note that they are able to trade odd lots of Shares in board lots of one (1) Share on the Unit Share Market of the SGX-ST.

5. IRREVOCABLE UNDERTAKING

- 5.1 **Irrevocable Undertaking.** As at the date of this Announcement, UOB, holding an aggregate of 23,805,000 Shares representing approximately 58.39% of the issued Shares of the Company, has irrevocably undertaken to subscribe for and/or to procure subscriptions for all its direct entitlement of 11,902,500 Rights Shares under the Rights Issue (the “**Irrevocable Undertaking**”).

5.2 **Conditions.** The Irrevocable Undertaking by UOB as set out above is subject to and conditional upon, *inter alia*, the following:

- (a) the lodgment of the Offer Information Statement, together with all other accompanying documents (if applicable), to be issued by the Company in connection with the Rights Issue, by the Company with the Monetary Authority of Singapore (the “MAS”); and
- (b) the approval in-principle of the SGX-ST (such approval not having been withdrawn or revoked on or prior to the closing date of the Rights Issue) for the listing of and quotation for the Rights Shares on the SGX-ST and, if such approval is granted subject to conditions, such conditions being complied with by the Company.

6. APPROVALS

6.1 **SGX-ST Approval.** The Rights Issue is subject to the approval in-principle of the SGX-ST for the listing of and quotation for the Rights Shares on the Official List of the SGX-ST. An application will be made by the Company to obtain the SGX-ST’s approval for the listing of and quotation for the Rights Shares. An appropriate announcement on the outcome of the application will be made in due course.

6.2 **Lodgment with MAS.** The Rights Issue is subject to the lodgment of the Offer Information Statement together with all other accompanying documents (if applicable) with the MAS.

7. GENERAL

The terms and conditions of the Rights Issue are subject to such changes as the Directors, after consultation with UOB Asia, may deem appropriate. Subject to paragraph 6.1 above, the Offer Information Statement containing further details on the Rights Issue will be lodged with the MAS and despatched to Entitled Shareholders in due course.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 7th May 2007