

**UNITED OVERSEAS INSURANCE LIMITED**

(Incorporated in the Republic of Singapore)

To: All Shareholders

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

**1. AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002**

	<u>GROUP</u>			<u>COMPANY</u>		
	<u>2002</u> S\$'000	<u>2001</u> S\$'000	<u>Incr/</u> <u>(Decr)</u> %	<u>2002</u> S\$'000	<u>2001</u> S\$'000	<u>Incr/</u> <u>(Decr)</u> %
(a) Gross premium income	<b>38,098</b>	31,447	21.1	<b>37,652</b>	30,982	21.5
Net earned premiums	<b>11,406</b>	13,329	(14.4)	<b>11,265</b>	13,144	(14.3)
Less/(Add) :						
Net claims incurred	<b>4,595</b>	5,302	(13.3)	<b>4,578</b>	5,291	(13.5)
Net commission	<b>(3,381)</b>	(1,312)	157.7	<b>(3,347)</b>	(1,296)	158.3
Management expenses :						
Staff Cost	<b>2,347</b>	2,301	2.0	<b>2,347</b>	2,301	2.0
Rental expenses	<b>592</b>	592	-	<b>592</b>	592	-
Management Fees	<b>123</b>	132	(6.8)	-	-	-
Other operating expenses	<b>1,415</b>	1,133	24.9	<b>1,321</b>	1,032	28.0
Underwriting Profit	<b>5,715</b>	5,181	10.3	<b>5,774</b>	5,224	10.5
Gross investment income	<b>3,991</b>	5,138	(22.3)	<b>3,939</b>	4,875	(19.2)
(Loss)/profit on sale of investments	<b>(427)</b>	1,567	NM	<b>(427)</b>	1,567	NM
Profit on sale of property	-	1,499	NM	-	1,499	NM
Other income	<b>24</b>	10	140.0	<b>24</b>	10	140.0
Non-underwriting income	<b>3,588</b>	8,214	(56.3)	<b>3,536</b>	7,951	(55.5)
(b) Net profit before tax, depreciation, foreign exchange loss and provision for investment	<b>8,871</b>	12,949	(31.5)	<b>8,879</b>	12,730	(30.3)
Less/(Add) :						
Depreciation	<b>251</b>	91	175.8	<b>251</b>	91	175.8
Foreign exchange loss	<b>40</b>	216	(81.5)	<b>40</b>	211	(81.0)
Provision/(writeback of provision) for diminution in value of investments	<b>1,099</b>	(80)	NM	<b>1,099</b>	(80)	NM
Net profit before tax	<b>7,481</b>	12,722	(41.2)	<b>7,489</b>	12,508	(40.1)
Less :						
Taxation	<b>1,200</b>	2,598	(53.8)	<b>1,200</b>	2,600	(53.8)
Net profit after tax	<b>6,281</b>	10,124	(38.0)	<b>6,289</b>	9,908	(36.5)

Note : NM = Not Meaningful

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**1. AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONT'D)**

	<u>GROUP</u>			<u>COMPANY</u>		
	<u>2002</u> S\$'000	<u>2001</u> S\$'000	<u>Incr/ (Decr)</u> %	<u>2002</u> S\$'000	<u>2001</u> S\$'000	<u>Incr/ (Decr)</u> %
(c) Net profit after tax:						
6 months ended 30 June	<b>4,672</b>	4,578	2.1	<b>4,751</b>	4,526	5.0
6 months ended 31 December	<b>1,609</b>	5,546	(71.0)	<b>1,538</b>	5,382	(71.4)
Total for the year	<b>6,281</b>	10,124	(38.0)	<b>6,289</b>	9,908	(36.5)
(d) Gross premium income						
6 months ended 30 June	<b>21,282</b>	18,424	15.5	<b>20,982</b>	18,086	16.0
6 months ended 31 December	<b>16,816</b>	13,023	29.1	<b>16,670</b>	12,896	29.3
Total for the year	<b>38,098</b>	31,447	21.1	<b>37,652</b>	30,982	21.5
(e) Net profit after tax as percentage of gross premium income (%)	<b>16.49</b>	32.19		<b>16.70</b>	31.98	
(f) Net profit after tax as percentage of issued capital and reserves (%)	<b>6.7</b>	10.7		<b>6.8</b>	10.7	
(g) Net earnings per share (cents)	<b>15.4</b>	24.8		<b>15.4</b>	24.3	
(h) Net asset value per share (S\$)	<b>2.31</b>	2.33		<b>2.26</b>	2.26	

The provision for taxation contain an adjustment of S\$193,000 for over provision of tax in respect of prior years at the Group level. There was no pre-acquisition profit.

**2. 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 operations in Hong Kong are relatively insignificant.

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**3. DIRECTORS' COMMENTS**

The Group's gross premium grew by 21% mainly through business synergies within the UOB Group and hardening of premium rates. Underwriting profit increased due mainly to better commission recoveries and lower net incurred claims. Investment income was however affected by weak market sentiments that prevailed during the year.

The Group also benefited from the improved economies of scale resulting from the Company assuming the management of Overseas Union Insurance Limited ("OUI").

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between 31 December 2002 and the date of this announcement which is likely to affect substantially the results of the Company and the Group for the current financial year.

**4. CURRENT YEAR PROSPECTS**

In light of global political and economic uncertainties, the business environment will remain challenging. As new business strategies are implemented and underwriting discipline is maintained, the Company expects its underwriting profit to continue to be satisfactory. Investment income will still be volatile.

Further benefits can be expected from the continuing integration of the Company and OUI.

**5. CHANGE IN ACCOUNTING POLICY**

The same accounting policies and methods of computation were followed in the financial statements for the year ended 31 December 2002 as compared to the audited financial statements for the year ended 31 December 2001 except for the following :

- (a) the method of calculating unearned premium reserves was changed to comply with the amended Regulation 20 of the Insurance Regulations. The unearned premium reserves, where the 1/24 method is used, are now calculated on premiums reduced by the actual commissions payable. Previously, such unearned premium reserves were calculated on premiums reduced by commission at an assumed rate of 20% of premiums. The effect of the change is an increase in unearned premium reserves and a decrease in underwriting profit by S\$1.1 million for the year ended 31 December 2002.
- (b) with effect from 1 January 2002, the Company has adopted the revised Statement of Accounting Standard (SAS) 12 on Income Taxes. The adoption of the revised SAS 12 has no material impact on the financial statements of the Company and the Group.

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**6. BALANCE SHEET**

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2002</u> S\$'000	<u>2001</u> S\$'000	<u>2002</u> S\$'000	<u>2001</u> S\$'000
Fixed Assets	<b>908</b>	1,087	<b>908</b>	1,087
Long-Term Investments	<b>14,262</b>	12,248	<b>19,202</b>	17,188
Other Non-Current Debtors	<b>116</b>	135	<b>116</b>	135
Unsecured Term Loan	<b>38</b>	41	<b>38</b>	41
Current Assets (includes investments)	<b>144,420</b>	135,916	<b>136,930</b>	127,956
Less : Current Liabilities	<b>65,138</b>	54,187	<b>64,733</b>	53,789
Net Current Assets	<b>79,282</b>	81,729	<b>72,197</b>	74,167
Deferred Taxation	<b>(272)</b>	(358)	<b>(272)</b>	(358)
	<b>94,334</b>	94,882	<b>92,189</b>	92,260
Represented by :-				
Share Capital	<b>40,770</b>	40,770	<b>40,770</b>	40,770
Revenue Reserve	<b>53,564</b>	54,112	<b>51,419</b>	51,490
	<b>94,334</b>	94,882	<b>92,189</b>	92,260

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**7. STATEMENT OF CHANGES IN EQUITY**

<b>GROUP</b>	Share Capital \$'000	General Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 January 2002	40,770	12,880	1,079	40,153	94,882
Foreign currency translation differences	-	-	(469)	-	(469)
Net gains not recognised in income statement	-	-	(469)	-	(469)
Net profit	-	-	-	6,281	6,281
Total recognised gains for the financial years	-	-	-	6,281	6,281
Transfer from retained profits	-	1,000	-	(1,000)	-
Dividend for Year 2001	-	-	-	(4,770)	(4,770)
Dividend for Year 2002	-	-	-	(1,590)	(1,590)
Balance at 31 December 2002	<b>40,770</b>	<b>13,880</b>	<b>610</b>	<b>39,074</b>	<b>94,334</b>
Balance at 1 January 2001					
- as previously reported	40,770	11,880	607	32,570	85,827
- effect of adopting SAS 31	-	-	2	4,615	4,617
- as restated	40,770	11,880	609	37,185	90,444
Foreign currency translation differences	-	-	470	-	470
Net gains not recognised in income statement	-	-	470	-	470
Net profit	-	-	-	10,124	10,124
Total recognised gains for the financial year	-	-	-	10,124	10,124
Transfer from retained profits	-	1,000	-	(1,000)	-
Dividend for Year 2000	-	-	-	(4,617)	(4,617)
Dividend for Year 2001	-	-	-	(1,539)	(1,539)
Balance at 31 December 2001	<b>40,770</b>	<b>12,880</b>	<b>1,079</b>	<b>40,153</b>	<b>94,882</b>

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**7. STATEMENT OF CHANGES IN EQUITY (CONT'D)**

<u>COMPANY</u>	Share Capital \$'000	General Reserve \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 January 2002	40,770	12,880	38,610	92,260
Total recognised gain for the financial year				
- Net profit	-	-	6,289	6,289
Transfer from retained profits	-	1,000	(1,000)	-
Dividend for Year 2001			(4,770)	(4,770)
Dividend for Year 2002	-	-	(1,590)	(1,590)
Balance at 31 December 2002	<b>40,770</b>	<b>13,880</b>	<b>37,539</b>	<b>92,189</b>
Balance at 1 January 2001				
- as previously reported	40,770	11,880	31,297	83,947
- effect of adopting SAS 31	-	-	4,561	4,561
- as restated	40,770	11,880	35,858	88,508
Total recognised gain for the financial year				
- Net profit	-	-	9,908	9,908
Transfer from retained profits	-	1,000	(1,000)	-
Dividend for Year 2000			(4,617)	(4,617)
Dividend for Year 2001	-	-	(1,539)	(1,539)
Balance at 31 December 2001	<b>40,770</b>	<b>12,880</b>	<b>38,610</b>	<b>92,260</b>

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**8. CASH FLOW STATEMENT - GROUP**

	<u>31.12.2002</u>	<u>31.12.2001</u>
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,481	12,722
Adjustments for :		
Foreign currency difference on unearned premium reserves	(4)	5
Increase in unearned premium reserves	1,758	3
Depreciation	251	91
Loss/(profit) on sale of investments	427	(1,567)
Profit on sale of fixed assets	-	(1,499)
Gross dividends from investments	(1,746)	(2,315)
Interest income from investments	(1,906)	(2,019)
Interest on fixed deposits and bank balances	(339)	(804)
Provision/(writeback of provision) for diminution in value of short-term investments	1,099	(67)
Writeback of provision for diminution in value of long-term investments	-	(13)
Exchange differences	482	(486)
Operating cash flow before working capital change	<u>7,503</u>	<u>4,051</u>
Changes in working capital :		
Trade and other receivables	523	258
Creditors and claims	605	411
Amount owing by related companies	(52)	(70)
Amount owing to related companies	1	(3)
Cash generated from operations	<u>8,580</u>	<u>4,647</u>
Tax paid	(2,200)	(2,634)
<b>Net Cash Inflow From Operating Activities</b>	<u>6,380</u>	<u>2,013</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of short-term investments	25,980	26,874
Proceeds from sale of long-term investments	-	1,285
Proceeds from sale of fixed assets	1	1,801
Purchase of investments	(20,457)	(21,939)
Purchase of long-term investments	(2,014)	(1,952)
Purchase of fixed assets	(73)	(932)
Unsecured term loan	3	2
Gross dividends from investments	1,746	2,315
Interest income from investments	1,906	2,019
Interest on fixed deposits and bank balances	339	804
<b>Net Cash Inflow From Investing Activities</b>	<u>7,431</u>	<u>10,277</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Dividend paid	(6,360)	(6,156)
<b>Cash Outflow From Financing Activity</b>	<u>(6,360)</u>	<u>(6,156)</u>
Translation difference on foreign subsidiary company	(469)	470
<b>Net increase in cash and cash equivalents</b>	<u>6,982</u>	<u>6,604</u>
Cash and cash equivalents at beginning of year	34,664	27,574
Effects of exchange rate changes on cash and cash equivalents	(482)	486
<b>Cash and cash equivalents at end of year</b>	<u>41,164</u>	<u>34,664</u>

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**9. DIVIDEND**

The Directors recommend the payment of a final dividend of 15% or 15 cents per share (2001 final dividend : 15% or 15 cents per share) less 22% Singapore income tax in respect of the financial year ended 31 December 2002.

Together with the interim dividend of 5% or 5 cents per share paid previously, the total dividend for the financial year ended 31 December 2002 would be 20% or 20 cents per share amounting to a total net dividend payment of S\$6.4 million (2001 : S\$6.4 million). If approved at the Annual General Meeting, the proposed final dividend will be paid on 30 May 2003.

**10. CLOSURE OF BOOKS**

Notice is hereby given that, subject to shareholders' approval of the payment of the abovementioned dividend at the Annual General Meeting, the Share Transfer Books and the Register of Members of the Company will be closed from 20 May 2003 to 21 May 2003, both dates inclusive for the preparation of dividend warrants. Registrable transfers received by the Company's Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay, #19-08, Ocean Building, Singapore 049315, up to 5.00 pm on 19 May 2003 will be registered for the abovementioned dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the abovementioned dividend, if approved, will be paid by the Company to CDP who will distribute the dividend to holders of the securities accounts.

BY ORDER OF THE BOARD

MRS. VIVIEN CHAN  
SECRETARY

Dated this 28th day of February 2003