ARAB HEAVY INDUSTRIES P.J.S.C.
AND SUBSIDIARY
AJMAN - UNITED ARAB EMIRATES

CONSOLIDATED INTERIM FINANCIAL INFORMATION AND REVIEW REPORT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

Consolidated Interim Financial Information and Review Report For the Six Month Period Ended June 30, 2008

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Report on Review of Consolidated Interim Financial Information

The Board of Directors
Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of **Arab Heavy Industries P.J.S.C. and Subsidiary, Ajman, United Arab Emirates** as of June 30, 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

For Deloitte & Touche

Sharjah
July 20, 2008

Saba Y. Sindaha
Partner
(Registration No. 410)

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

Condensed Consolidated Balance Sheet
At June 30, 2008
(In Arab Emirates Dirhams)

	Notes	June 30, 2008 Unaudited	December 31, 2007 Audited
ASSETS			
Current assets			
Bank balances and cash	5	**94,716,073**	84,017,370
Trade and other receivables		**34,393,240**	29,736,812
Inventories		**10,153,694**	11,495,539
Due from related parties		**11,491**	-
Total current assets		**139,274,498**	125,249,721
Non-current assets			
Goodwill		**2,773,497**	2,773,497
Property, plant and equipment		**105,908,308**	108,073,944
Total non-current assets		**108,681,805**	110,847,441
Total Assets		**247,956,303**	236,097,162
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**51,434,100**	49,923,346
Due to related parties		**6,872,481**	7,564,943
Total current liabilities		**58,306,581**	57,488,289
Non-current liabilities			
Provision for employees' end of service benefits		**6,691,635**	6,429,173
Total Liabilities		**64,998,216**	63,917,462
Capital and reserves			
Issued capital	7	**67,225,900**	67,225,900
Statutory reserve		**24,014,421**	24,014,421
General reserve		**6,722,590**	6,722,590
Retained earnings		**84,995,176**	74,216,789
Total Equity		**182,958,087**	172,179,700
Total Liabilities and Equity		**247,956,303**	236,097,162

The accompanying notes form an integral part of this consolidated interim financial information.

Chairman

Managing Director

Arab Heavy Industries P.J.S.C. and Subsidiary
Ajman - United Arab Emirates

Condensed Consolidated Statement of Income
For the six month period ended June 30, 2008
(In Arab Emirates Dirhams)

	Six month period ended June 30,		Three month period ended June 30,	
	2008	2007	**2008**	2007
	Unaudited	Unaudited	**Unaudited**	Unaudited
Revenue	**109,694,796**	115,657,435	**59,585,962**	59,311,039
Operating expenses	**(64,425,739)**	(94,638,766)	**(34,677,412)**	(47,582,195)
Operating profit	**45,269,057**	21,018,669	**24,908,550**	11,728,844
Interest income	**1,014,471**	722,269	**368,557**	446,924
Other income	**2,337,104**	1,723,146	**1,727,258**	805,472
Profit for the period	**48,620,632**	23,464,084	**27,004,365**	12,981,240
Basic earnings per share (Note 8)	**72.32**	34.90	**40.17**	19.31

The accompanying notes form an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity
For the six month period ended June 30, 2008
(In Arab Emirates Dirhams)

	Issued capital	Statutory reserve	General reserve	Retained earnings	Total
Balance at December 31, 2006 (Audited)	67,225,900	18,998,611	6,722,590	41,875,953	134,823,054
Dividends paid	-	-	-	(14,789,698)	(14,789,698)
Profit for the period	-	-	-	23,464,084	23,464,084
Balance at June 30, 2007 (Unaudited)	67,225,900	18,998,611	6,722,590	50,550,339	143,497,440
Balance at December 31, 2007 (Audited)	67,225,900	24,014,421	6,722,590	74,216,789	172,179,700
Dividends paid	-	-	-	(36,974,245)	(36,974,245)
Directors' fee	-	-	-	(868,000)	(868,000)
Profit for the period	-	-	-	48,620,632	48,620,632
Balance at June 30, 2008 (Unaudited)	**67,225,900**	**24,014,421**	**6,722,590**	**84,995,176**	**182,958,087**

The accompanying notes form an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows
For the six month period ended June 30, 2008
(In Arab Emirates Dirhams)

	Six month period ended June 30, 2008	Six month period ended June 30, 2007
	Unaudited	Unaudited
Operating activities		
Profit for the period	**48,620,632**	23,464,084
Adjustments for:		
Depreciation of property, plant and equipment	**3,094,670**	2,935,213
Provision for employees' end of service indemnity	**452,854**	334,005
Interest income	**(1,014,471)**	(722,269)
Gain on disposal of property plant and equipment	**-**	(70,869)
Operating cash flows before movements in working capital	**51,153,685**	25,940,164
Increase in trade and other receivables	**(4,656,428)**	(16,405,283)
Decrease in inventories	**1,341,845**	11,570,698
(Increase)/decrease in due from related parties	**(11,491)**	5,891,445
Increase in trade and other payables	**642,754**	8,777,191
(Decrease)/increase in due to related parties	**(692,462)**	5,602,101
Cash generated from operations	**47,777,903**	41,376,316
Employees' end of service indemnity paid	**(190,392)**	(278,414)
Net cash generated from operating activities	**47,587,511**	41,097,902
Investing activities		
Decrease in fixed deposits	**14,000,000**	-
Purchase of property, plant and equipment	**(929,034)**	(1,836,298)
Proceeds from disposal of property, plant and equipment	-	75,081
Interest received	**1,014,471**	722,269
Net cash from/(used in) investing activities	**14,085,437**	(1,038,948)
Financing activities		
Dividend paid	**(36,974,245)**	(14,789,698)
Cash used in financing activities	**(36,974,245)**	(14,789,698)
Net increase in cash and cash equivalents	**24,698,703**	25,269,256
Cash and cash equivalents at the beginning of the period	**70,017,370**	37,082,801
Cash and cash equivalents at the end of the period	**94,716,073**	62,352,057
	==========	==========

The accompanying notes form an integral part of this consolidated interim financial information.

Notes to the Consolidated Interim Financial Information
For the six month period ended June 30, 2008

1. General information

Arab Heavy Industries P.J.S.C. (the "Company") is a public joint stock company incorporated in the Emirate of Ajman, United Arab Emirates, pursuant to a decree issued by H.H. the Ruler of Ajman in 1975. The "Group" comprises Arab Heavy Industries P.J.S.C. and Arab Eagle Marine Engineering L.L.C. (see Note 3). The address of the Company's registered office is P. O. Box 529, Ajman, United Arab Emirates.

The principal activity of the Company is ship repair and steel fabrication.

2. Basis of preparation

This consolidated interim financial information is prepared in accordance with the International Accounting Standard No. 34 - *Interim Financial Reporting* issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E. The consolidated interim financial information is prepared in accordance with the historical cost basis, except for revaluation of financial instruments. The consolidated interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated.

This consolidated interim financial information do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2007. In addition, results for the 6 months period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2008.

(a) Estimates

The preparation of consolidated interim financial information require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2007.

(b) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended December 31, 2007.

3. Basis of consolidation

The consolidated interim financial information of Arab Heavy Industries P.J.S.C. and Subsidiary (the "Group") incorporate the financial information of the Company and enterprise controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiary:

Details of the Company's subsidiary at June 30, 2008 are as follows:

Name of subsidiary	Proportion of ownership interest	Country of incorporation	Principal activities
Arab Eagle Marine Engineering L.L.C.	99.9%	UAE	Engaged in the activity of ship repair.

The remaining equity in the above Subsidiary is held by the Company beneficially through nominee arrangements.

4. Accounting policies

The accounting policies used in the preparation of these consolidated interim financial information are consistent with those used in the annual audited consolidated financial statements for the year ended December 31 2007.

5. Bank balances and cash

	June 30, 2008 Unaudited AED	December 31, 2007 Audited AED
Cash on hand	**30,000**	30,000
Bank balances:		
Current accounts	**6,217,776**	10,998,173
Fixed deposits	**88,468,297**	72,989,197
	94,716,073	84,017,370

6. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Six Month Period ended June 30,		Three Month Period ended June 30,	
	2008	2007	**2008**	2007
	Unaudited	Unaudited	**Unaudited**	Unaudited
Sales	**-**	14,053,810	-	11,092
Purchases	**170,053**	217,688	**4,285**	190,695
Management fees to Keppel Group	**5,782,826**	2,956,143	**3,191,284**	1,617,936
Board of directors' remuneration	**868,000**	868,000	**-**	-
Other expenses	**2,687,811**	2,884,457	**1,494,380**	1,767,040

The Group is managed by a member of the Keppel Group. As per the management agreement, the Group is charged a fee of Singapore Dollars 450,000 (2007: Singapore Dollars 300,000) per annum plus 10% of the net profit.

Transactions with related parties were entered into on terms agreed with the management.

7. Issued capital

	June 30, 2008	December 31, 2007
	Unaudited	Audited
	AED	AED
Issued and fully paid:		
(672,259 ordinary shares of AED 100 each)	**67,225,900**	67,225,900

8. Basic earnings per share

	Six Month Period ended June 30,		Three Month Period ended June 30,	
	2008	2007	**2008**	2007
	Unaudited	Unaudited	**Unaudited**	Unaudited
Profit for the period (in AED)	**48,620,632**	23,464,084	**27,004,365**	12,981,240
Number of shares	**672,259**	672,259	**672,259**	672,259
Basic earnings per share (in AED)	**72.32**	34.90	**40.17**	19.31

9. Dividends

At the annual general meeting held on 26 March, 2008, the Shareholders approved a dividend of AED 36,974,245 (AED 55 per share) for 2007 (2006: dividend of AED 14,789,698 AED 22 per share).

10. Approval of consolidated interim financial information

The consolidated interim financial information were approved and authorised for issue on July 20, 2008.

11. Comparative amounts

Certain amounts for the prior period were reclassified to conform to current period presentation.