

**UNI-ASIA FINANCE CORPORATION**  
(Company Registration No. CR-72229)

**UNAUDITED HALF YEAR FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008**

**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULTS**

**1 (a) An income statement for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Note	2 <sup>nd</sup> Quarter			Half year ended 30 June		
		2008 US\$'000	2007 US\$'000	% Change	2008 US\$'000	2007 US\$'000	% Change
Fee income	(8a)	4,612	4,860	(5%)	7,197	6,482	11%
Hotel income	(8b)	6,199	-	N/M	12,029	-	N/M
Investment return	(8c)	6,215	6,124	1%	9,198	6,344	45%
Interest income		372	622	(40%)	843	995	(15%)
Other income		52	8	550%	54	13	315%
<b>Total income</b>		<b>17,450</b>	<b>11,614</b>	<b>50%</b>	<b>29,321</b>	<b>13,834</b>	<b>112%</b>
Employee benefits expense	(8d)	(5,858)	(2,484)	136%	(10,778)	(3,472)	210%
Amortization, depreciation and impairment		(304)	(88)	245%	(577)	(172)	235%
Other expenses	(8e)	(5,304)	(987)	437%	(10,913)	(1,559)	600%
Gain/ (loss) on disposal of fixed assets		(1)	-	N/M	(1)	12	(108%)
		<b>(11,467)</b>	<b>(3,559)</b>	<b>222%</b>	<b>(22,269)</b>	<b>(5,191)</b>	<b>329%</b>
<b>Operating profit</b>		<b>5,983</b>	<b>8,055</b>	<b>(26%)</b>	<b>7,052</b>	<b>8,643</b>	<b>(18%)</b>
Finance costs – interest expense		(326)	(11)	2864%	(606)	(19)	3089%
Finance costs – others		(126)	-	N/M	(267)	-	N/M
Share of results of associates after tax		(33)	378	(109%)	(43)	642	(107%)
<b>Profit before tax</b>		<b>5,498</b>	<b>8,422</b>	<b>(35%)</b>	<b>6,136</b>	<b>9,266</b>	<b>(34%)</b>
Tax expense		(563)	(211)	167%	(747)	(230)	225%
<b>Profit for the period</b>		<b>4,935</b>	<b>8,211</b>	<b>(40%)</b>	<b>5,389</b>	<b>9,036</b>	<b>(40%)</b>
Attributable to:							
Equity holders of the company		4,984	8,211	(39%)	5,559	9,036	(38%)
Minority interests		(49)	-	N/M	(170)	-	N/M

N/M: Not meaningful

1 (b) (i) **A balance sheet for the group, together with a comparative statement as at the end of the immediately preceding financial year.**

	30 June 2008 US\$'000	31 December 2007 US\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	4,088	3,426
Intangible assets	660	-
Property, plant and equipment	14,854	421
Loans receivable	-	2,500
Investment	44,720	21,828
Investment in associates	235	9,343
Deposit paid	2,728	-
Deferred tax assets	1,745	1,062
Deposit for purchase of vessels	14,982	7,817
	<u>84,012</u>	<u>46,397</u>
<b>Current assets</b>		
Properties for sales	17,837	-
Financial assets at fair value through profit and loss – equity shares	257	-
Loans receivable	-	4,000
Derivative financial instruments	1,733	-
Accounts receivable	5,003	573
Prepayment, deposit and other receivable	1,827	679
Tax recoverable	22	-
Deposits pledged as collateral	17,063	5,346
Cash and bank balances	46,317	50,800
	<u>90,059</u>	<u>61,398</u>
<b>Total assets</b>	<u><u>174,071</u></u>	<u><u>107,795</u></u>

	30 June 2008 US\$'000	31 December 2007 US\$'000
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the company</b>		
Share capital	41,759	39,709
Share premium	21,402	13,353
Fair value reserve	(149)	(6)
Hedging reserve	1,804	-
Exchange reserve	2,201	701
Retained earnings	42,946	42,455
	<hr/>	<hr/>
<b>Total attributable to equity holders</b>	109,963	96,212
Minority interests	1,447	-
	<hr/>	<hr/>
<b>Total equity</b>	111,410	96,212
	<hr/>	<hr/>
<b>LIABILITIES</b>		
<b>Non-current Liabilities</b>		
Borrowings	23,982	-
Other non-current liabilities	2,076	-
Retirement benefit allowance	403	-
Derivative financial instruments	2,290	-
Deferred tax liabilities	1,525	749
	<hr/>	<hr/>
	30,276	749
	<hr/>	<hr/>
<b>Current Liabilities</b>		
Borrowings	23,545	4,481
Accounts payable	2,009	315
Other payable and accruals	6,280	3,131
Derivative financial instruments	391	2,752
Provision for income tax	160	155
	<hr/>	<hr/>
<b>Total current liabilities</b>	32,385	10,834
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	174,071	107,795
	<hr/>	<hr/>

**1 (b) (ii) Aggregate amount of group's borrowings and debt securities.**

	As at 30 June 2008		As at 31 December 2007	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	20,568	2,977	4,481	-
Amount repayable after one year	587	23,395	-	-
Total	<u>21,155</u>	<u>26,372</u>	<u>4,481</u>	<u>-</u>

**Details of any collateral**

The Group's borrowings are secured by means of:

- > a legal mortgage over a cash deposit from the holding company
- > legal mortgages over freehold properties of the subsidiaries
- > a legal mortgage over securities of a subsidiary
- > corporate guarantees from a subsidiary

**1 (c) A cash flow statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Half year ended 30 June	
	2008 US\$'000	2007 US\$'000
<b>Cash flow from operating activities</b>		
Profit before taxation	6,137	9,267
Adjustments for:		
Investment return	(9,198)	(6,344)
Amortization, depreciation and impairment	577	172
(Gain)/ loss on disposal of fixed assets	1	(12)
Interest income	(843)	(995)
Interest expense	606	19
Finance cost	267	-
Results of associates	43	(642)
Net foreign exchange loss	222	121
	<u>(2,188)</u>	<u>1,586</u>
Change in working capital:		
Net change in properties for sale	(4,100)	-
Net change in accounts receivable	1,200	(3,265)
Net change in prepayment, deposit and other receivables	335	3,901
Net change in retirement benefits allowance	(1)	-
Net change in accounts payable	(1,602)	(69)
Net change in other payable and accruals	(2,867)	214
	<u>(9,223)</u>	<u>2,367</u>
Cash generated from/ (used in) operations	(9,223)	2,367
Interest received on bank balances	575	623
Tax reimbursed/ (paid)	(248)	73
	<u>(8,896)</u>	<u>3,063</u>
Net cash generated from/ (used in) operating activities	<u>(8,896)</u>	<u>3,063</u>

	Half year ended 30 June	
	2008	2007
	US\$'000	US\$'000
<b>Cash flow from investing activities</b>		
Acquisition of a subsidiary	11,414	-
Deconsolidation of subsidiaries	(210)	-
Purchase of investments	(4,631)	(5,431)
Purchase of investment properties	(8)	(2,861)
Proceeds from sales of investments	1,778	12,820
Redemption of TK Investment	(427)	-
Deposit for purchase of vessel	(7,101)	-
Purchase of fixed assets	(269)	(93)
Proceeds from disposal of fixed assets	-	13
Loans advanced	-	(4,004)
Loans repaid	6,500	3,050
Interest received from syndicated loans	277	338
Decrease in deposits pledged as collateral	(11,669)	-
Proceeds received from interest on performance notes	5,364	1,806
Proceeds received from interest on rental income	45	-
	<u>1,063</u>	<u>5,638</u>
<b>Cash flow from financing activities</b>		
IPO expenses	-	(150)
New borrowings	23,861	-
Repayment of borrowings	(14,866)	-
Interest paid on borrowings	(677)	(16)
Dividend paid	(5,275)	(1,680)
	<u>3,043</u>	<u>(1,846)</u>
Net cash generated from/ (used in) financing activities	<u>3,043</u>	<u>(1,846)</u>
Net increase/ (decrease) in cash and cash equivalents	<u>(4,790)</u>	<u>6,855</u>
Movements in cash and cash equivalents:		
Cash and cash equivalents at beginning of the period	50,800	22,205
Net increase/ (decrease) in cash and cash equivalents	(4,790)	6,855
Effects of exchange rate changes	307	(101)
Cash and cash equivalents at end of the period	<u>46,317</u>	<u>28,959</u>

**1 (d) (i) A statement for the group showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Share capital US\$'000	Share premium US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Exchange reserve US\$'000	Other reserve US\$'000	Retained earnings US\$'000	Sub-total attributable to equity holders US\$'000	Minority interest US\$'000	Total US\$'000
Balance at 1 January 2008	39,709	13,353	(6)	-	701	-	42,455	96,212	-	96,212
Financial assets, available for sale	-	-	-	-	-	-	-	-	-	-
- Fair value loss	-	-	(143)	-	-	-	-	(143)	(11)	(154)
Change in fair value of derivative financial instruments	-	-	-	1,804	-	-	-	1,804	-	1,804
Exchange differences arising on translation of foreign operation	-	-	-	-	1,500	-	-	1,500	99	1,599
Net income recognized directly in equity	-	-	(143)	1,804	1,500	-	-	3,161	88	3,249
Net profit	-	-	-	-	-	-	5,559	5,559	(170)	5,389
Total recognized income	-	-	(143)	1,804	1,500	-	5,559	8,720	(82)	8,638
Issuance of shares	2,050	8,049	-	-	-	-	-	10,099	-	10,099
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,513	1,513
Deconsolidation of subsidiaries	-	-	-	-	-	-	-	-	16	16
Dividend paid in respect of 2007	-	-	-	-	-	-	(5,068)	(5,068)	-	(5,068)
Balance at 30 June 2008	41,759	21,402	(149)	1,804	2,201	-	42,946	109,963	1,447	111,410
Balance at 1 January 2007	28,000	-	-	-	-	(223)	31,989	59,766	-	59,766
Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	-	-	-	-
Net income recognized directly in equity	-	-	-	-	-	-	-	-	-	-
Net profit	-	-	-	-	-	-	9,036	9,036	-	9,036
Total recognized income	-	-	-	-	-	-	9,036	9,036	-	9,036
IPO expenses	-	-	-	-	-	(150)	-	(150)	-	(150)
Dividend paid in respect of 2006	-	-	-	-	-	-	(1,680)	(1,680)	-	(1,680)
Balance at 30 June 2007	28,000	-	-	-	-	(373)	39,345	66,972	-	66,972

- 1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

On 26 June 2007, the share capital of the company was enlarged to 175,000,000 ordinary shares with par value of US\$0.16 each after the company proposed to consolidate 16 ordinary shares with par value of US\$1.00 into one (1) ordinary share with par value of US\$16.00 each (the "Consolidation") and then to sub-divide every one (1) ordinary share with par value of US\$16.00 into 100 ordinary shares with par value of US\$0.16 each (the "Sub-division") (2006: 28,000,000 shares at US\$1.0 per share).

On 17 August 2007, the Company issued 65,400,000 new shares by way of public offer and placement on the Singapore Stock Exchange which increased the number of ordinary shares issued from 175,000,000 to 240,400,000.

On 18 September 2007, the Company issued an additional 7,782,000 ordinary shares (the "Additional Shares") pursuant to the over-allotment option granted to DBS Bank Ltd in connection with the initial public offering of shares of the Company. Following the issue of the Additional Shares, the enlarged issued share capital of the Company increased to 248,182,000 shares.

On 4 January 2008, the company entered into a swap agreement with the shareholders of Capital Advisers Co., Ltd. ("Capital Advisers") which used to be an associated company. Pursuant to the swap agreement, 12,814,000 new shares were issued in the ordinary share capital of the company to the shareholders of Capital Advisers. Following the issuance of the additional shares, the share capital of the company increased from 248,182,000 to 260,996,000.

- 1 (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares was 260,996,000 as at 30 June 2008 and 248,182,000 as at 31 December 2007.

- 1 (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard of practice.**

The figures have not been audited or reviewed.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.



**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The group has adopted the same accounting policies and method of computation in the financial statements for the current financial period as compared with the audited financial statements for the financial year ended 31 December 2007.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

**6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	2 <sup>nd</sup> Quarter		Half year ended 30 June	
	2008	2007	2008	2007
Profit attributable to equity holders (US\$'000)	4,984	8,211	5,559	9,036
Weighted average number of ordinary shares in issue ('000)	260,996	* 175,000	260,785	* 175,000
Earnings per share (US cents per share) - basic and diluted	1.91	4.69	2.13	5.16

\* For comparative purposes, the number of ordinary shares outstanding as at 30 June 2007 is retrospectively adjusted & restated in accordance with consolidation & sub-division as mentioned in 1(d)(ii).

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the conversion of all dilutive ordinary shares during the period.

**7 Net asset value for the group per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	30 June 2008	31 December 2007
Net asset value per ordinary share based on issued share capital at the end of (in US\$)	0.43	0.39

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of any significant factors that affected the turnover, costs, and earnings of the group for the current financial period report on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on:**

#### Overview

On 4 January 2008, the Group increased its interest in Capital Advisers, engaged in property investment and management in Japan, from 44.8% to 92.7%. As a result, from 4 January onwards, Capital Advisers is consolidated in the Group financial statement. Due to the sluggish property market in Japan and in the absence of hotel disposals during the period, Capital Advisers registered net losses during the first half of the year. Furthermore, as Capital Adviser's business model is one of higher volume and lower margin compared to Uni-Asia, the impact would be reflected on the Group consolidated financial statements.

The major highlights during the interim period include:

- Disposal of last vessel held under Searex fund, capturing net gain on investment of \$2.7 million and incentive fee of \$1.8 million.
- Completion of the acquisition of the 6<sup>th</sup>/last vessel by Akebono Fund.
- Firm bulk carrier and container markets resulted in strong fair value adjustment on shipping investments.
- Consolidation of Capital Advisers. Capital Adviser's income, operating loss and net loss totalled \$15.6 million, (\$1.4 million) and (\$2.3 million) respectively during the period.
- Vista Hotel Kumamoto, wholly owned by Capital Advisers, was open for business on 28 January 2008.

#### Income Statement

The Group's 1H08 interim profit dropped by 40% from \$9.0 million in 1H07 to \$5.4 million in 1H08 due primarily to net losses from Capital Advisers and higher operating expenses recorded during the period. Total income more than doubled from \$13.8 million in 1H07 to \$29.3 million in 1H08 as a result of the consolidation of Capital Advisers' income from property investment and management and hotel operation in Japan amounting to \$15.6 million and strong investment contribution from the Group's shipping activities.

The Group's income is classified under fee income, hotel income, investment return, interest income and other income.

#### (a) Fee Income

	Half year ended 30 June		
	2008 US\$'000	2007 US\$'000	% Change
Asset management & administration fee *	2,914	711	310%
Brokerage commission	756	691	9%
Arrangement and agency fee	1,710	4,312	(60%)
Incentive fee	1,817	768	137%
	<u>7,197</u>	<u>6,482</u>	11%

\* Include income earned by Capital Advisers as asset manager of hotels and residential projects

The Group's fee income rose by 11% from \$6.5 million in 1H07 to \$7.2 million in 1H08 due primarily to the consolidation of Capital Advisers' fee income from its asset management of hotel and residential projects and an increase in incentive fee arising from the disposal of a vessel under Searex, offset by a drop in arrangement fee income during the period.

**(i) Asset Management and Administration Fee**

This fee is earned from the services of administration and management of funds/investments in shipping, property and distressed assets. In addition, Capital Advisers is the asset manager of hotels and residential projects in Japan. This fee of \$2.9 million received during the period is recurrent until the maturity of the fund/project and increased by over three folds due primarily to the launch of Akebono Fund and maiden contribution from our hotel and property business arising from the consolidation of Capital Advisers during the period.

**(ii) Brokerage commission**

This refers to commission earned for brokering ship charters on behalf of ship-owners and the income is recurrent for the duration of the charter period/agreement. Brokerage commission totalled \$0.8 million in 1H08.

**(iii) Arrangement and Agency Fee**

This income is generated from the arrangement of syndicated loans or debt financing for our customers, mainly ship-owner or property companies and for the Group's agency duty in finance arrangement transactions made by the Group. During the period, finance arrangement and agency fee, representing 24% of the Group's total fee income, dropped by 60% to \$1.7 million. The Group closed and completed fewer finance arrangement transactions compared to last year.

**(iv) Incentive fee**

This fee arises whenever assets owned by the shipping/property funds that the Group manages, or co-own with joint venture partners, are divested with a gain. The fee is based on a predetermined profit sharing ratio in the event the sale price exceeded the hurdle rate. Incentive fee increased by 137% to \$1.8 million as a result of the disposal of the last vessel under Searex.

**(b) Hotel Income**

Capital Advisers currently owns and/or manages 14 limited service hotels in Japan with over 1,750 rooms. During the period, through the consolidation of Capital Advisers, the Group recognized maiden contribution from its hotel operation with income totalling over \$12.0 million. Income from hotel operation would include hotel operator fee (fee as operator of the hotel) and hotel income received from hotels owned and leased by the Group.

(c) **Investment Return**

	Half year ended 30 June		
	2008	2007	%
	US\$'000	US\$'000	Change
Interest on performance notes – distressed debt	25	15	67%
Interest on performance notes – shipping#	5,184	1,550	234%
Realized gain on investment in shipping business	-	3,767	N/M
Realized gain on investment in hotel and residential	159	-	N/M
Fair value adjustment on FX swap contract*	-	56	N/M
Fair value adjustment on performance notes – distressed debt	(23)	(137)	(83%)
Fair value adjustment on performance notes – shipping#@	1,769	(372)	576%
Fair value adjustment on investment in hotel	(275)	-	N/M
Fair value adjustment on residential properties	1,516	-	N/M
Fair value adjustment on investment in shipping	814	1,465	(44%)
Fair value adjustment on listed shares	(113)	-	N/M
Property rental	142	-	N/M
	<u>9,198</u>	<u>6,344</u>	<u>45%</u>

**Notes:**

# Includes interest from Akebono Fund and Searex Fund. Net gain on disposal of vessel under Searex Fund totalled \$2.7 million.

\* The fair value loss on foreign exchange contract of \$0.6 million with respect to a yen-US exchange rate contract entered into by a wholly owned shipping SPC was reversed during the second quarter as the Group adopted the use of hedge accounting under IAS39.

@ Fair value adjustment on performance notes – shipping to include fair value gain from Akebono fund and fair value loss from Searex arising from the sale of the vessel.

The Group's investment return during the period increased 45% from \$6.3 million in 1H07 to \$9.2 million in 1H08 due primarily to fair value adjustment on performance notes from shipping business arising from the launch of Akebono Fund and the disposal of the last vessel under Searex I fund. Akebono Fund has acquired six vessels to date. Searex I fund disposed of the last remaining vessel in the fund in 2Q08 and recognized net gain on investment of \$2.7 million. Other major investment returns recognized during the period include fair value gain of \$1.5 million on residential properties in Japan and China and fair value gain on shipping investments of \$0.8 million. Lastly, the Group also recognized fair value loss on performance notes – distressed debt of \$0.02 million, fair value loss on investment in hotel of \$0.3 million and fair value loss on listed shares of \$0.1 million during the period.

(d) **Employee Benefits Expense**

Employee benefits expenses grew by 210% as a result of the consolidation of Capital Advisers. Uni-Asia's headcount increased from 32 in 1H07 to 34 in 1H08, as compared to Capital Advisers, with full time employee headcount of 195. Capital Advisers' staff cost represented close to 69% of the Group's employee benefits expense during the period.

(e) **Other Expenses**

Other expenses grew by five times due primarily to the consolidation of Capital Advisers. Capital Advisers' operating expenses represented over 80% of the Group's total operating expenses during the period. Capital Advisers is currently expanding its limited service hotel business and building its 'Vista' brand. Hotel leases, hotel sub-operator fee and hotel operating expenses represented 62% of the Group's other operating expenses.

**(f) Profitability**

The Group's operating profit dropped by 18% from \$8.6 million in 1H07 to \$7.1 million in 1H08. Finance cost rose during the period as a result of the consolidation of Capital Advisers. In addition, contribution from our associated company dropped from \$0.6 million in 1H07 to a net loss of \$0.04 million in 1H08 given Capital Advisers is no longer equity accounted for and the Group recognized share of losses from Capital Advisers' associates.

**(g) Profit for the Year**

Our net profit decreased by 40% from \$9.0 million in 1H07 to \$5.4 million in 1H08.

**Balance Sheet**

**(a) Total Assets**

The increase in total assets in particular, properties for sale of \$17.8 million, accounts receivable of \$4.4 million, property, plant and equipment of \$14.4 million, deposits pledged of \$11.7 million and investments of \$22.9 million is due to the consolidation of Capital Advisers. During the period, the first installment was made on Prosperity Containership S.A. ("Prosperity"), a wholly owned shipping subsidiary on the Group and deposit for purchase of vessel increased by \$7.1 million as a result. Also, the Group subscribed for the performance notes issued by Akebono Fund of \$3.7 million and invested in an IPO share in Singapore, as reflected in the increase in investment held for trading (financial assets at fair value through profit and loss – equity shares), offset by a drop in cash and bank balances. In addition, the Group extended a US\$15.2 million (JPY1,600 million) loan to Capital Advisers which was partially financed by yen borrowings. The corresponding amount was placed from our cash deposit to deposits pledged as collateral.

**(b) Current and Non-current Liabilities**

Through the consolidation of Capital Advisers, the Group recognized additional current and non-current bank borrowings of \$17.8 million and \$22.6 million, respectively, along with deposits received of \$1.7 million, accounts payable of \$1.7 million, accrued expenses of \$0.4 million and rental and deposits received of \$1.7 million. During the period, derivative financial instruments arising from fair value adjustment on interest rate and exchange rate swaps charged to the Group equity during the period and to the profit and loss statement in FY2007 had been partially reclassified from current liabilities to non-current liabilities.

Prosperity entered into a twelve year (callable at year 10) interest rate swap to hedge against interest rate fluctuation by fixing its cost of borrowing. In 2007, the fair value adjustment on interest rate swap was charged to the profit and loss statement given the documentation for such hedge had not been finalized. However, the hedge is now deemed effective and the Group will recognize any subsequent fair value adjustments on interest and exchange rate swaps directly on its reserves. In addition, the Group increased its bank borrowing by an additional \$10.4 million in order to finance a yen loan to Capital Advisers during the period.

**(c) Shareholders' Equity**

The increase in shareholders' equity is mainly due to the increase in share capital and share premium arising from the issuance of new shares to finance the acquisition of Capital Advisers. The fair value reserves decreased given negative fair value adjustment on an investment made by Capital Advisers which is classified under the Group's balance sheet as long term investments. Hedging reserves increased due to fair value adjustment on exchange rate swap. Exchange reserves increased due to translation of foreign assets from foreign currency to the Group's functional currency, USD, upon consolidation. This would include our investments in China and Japan namely, China Shine and Capital Advisers.

## **Cash Flow**

### **(a) Cash flow from operating activities**

Cashflow from operating activities decreased due mainly to a drop in fee income from the Group's structured finance arrangement and a decrease in working capital stemming mainly from the consolidation of Capital Advisers during the period. Through Capital Advisers, the Group recognized an increase in properties for sale of \$4.1 million, decrease in accounts payable of \$1.6 million and decrease in other payables and accruals of \$1.7 million in 1H08.

### **(b) Cash flow from investing activities**

Cash flow from investing activities totalled \$1.1 million due primarily to an increase in investment activities during the period including purchase of investments of \$4.6 million (mainly subscription of performance notes in Akebono Fund), deposit for purchase of a new vessel for \$7.1 million, an increase in deposits pledged as collateral of \$11.7 million arising from the Group's yen loan and from Capital Advisers redemption of TK<sup>1</sup> investment of \$0.4 million. This was offset by an increase of \$11.4 million from the acquisition of a subsidiary, namely Capital Advisers, proceeds from sale of investments of \$1.8 million, loans repaid of \$6.5 million comprising primarily loan repayment from shipping investments and proceeds from interest on performance notes of \$5.4 million, including interest distribution from the disposal of the last remaining vessel under Searex Fund.

### **(c) Cash flow from financing activities**

Cash flow from financing activities increased due to new bank borrowing of \$23.9 million related to Capital Advisers and ship investment, offset by repayment of bank borrowings of \$14.9 million from Capital Advisers during the period. The Group made dividends of \$5.3 million.

## **9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, and variance between it and the actual results.**

Not applicable. The Group has not provided a forecast.

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<sup>1</sup> Tokumei Kumiai "TK" – A form of silent partnership structure used in Japan.

**10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operated and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The global economy continues to remain subdued in the first half of the year in the face of soaring commodity prices and lingering pressure from the US sub-prime. On the shipping side, the container ship market has shown signs of weakening in the first half of 2008<sup>2</sup>. The prices of newbuildings/second hand container vessels, charterhire rates along with growth projections on the demand for containers have managed to remain relatively flat. On the supply side, the container fleet is still expected to stage strong growth over the next two years. Prices of secondhand bulk carriers (28,000-50,000 dwt) have stabilized while prices of new buildings continue to be firm. The overall charter market has been stable with no significant changes shown. The second hand market and new-building price for product tanker continues to remain firm.

After banks reported losses in the second quarter, credit tightened on the back of increased cost of funding. In view of the current funding environment and the supply of new tonnages to come on stream, new enquiries on finance arrangement opportunities have remained firm and the demand for sale and charter back transactions are expected to remain steady. All in all, despite the more competitive market environment, the Group continues to maintain close working relationships with banks to work on our syndicated transactions.

The property market in major cities including Guangzhou where the Group invested, remained robust in spite of anti-speculation measures implemented to cool the heated economy. The property market is expected to remain stable in terms of capital value and rentals due to sustainable economic growth. The Renminbi is expected to continue to remain strong against US dollar in 2008. Due to subprime and the subsequent withdrawal of foreign lenders (CMBS lenders) in Japan, the Japan property market continues to remain sluggish this quarter and adversely affected Capital Advisers' business in the absence of sales and purchase opportunities.

**11 Dividend**

**(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

No.

**(b) Corresponding period of the Immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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<sup>2</sup> Uni-Asia's container vessels are long term chartered out to third parties.

**12 If no dividend has been declared/ recommended, a statement to that effect.**

No interim dividend has been declared/ recommended by the Directors for the half year ended 30 June 2008.

**BY THE ORDER OF THE BOARD**

Kazuhiko Yoshida  
Chairman, CEO  
14 August 2008



**CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(4) OF THE LISTING MANUAL**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the half year ended 30 June 2008 to be false or misleading.

On behalf of the Board of Directors

Signed

Signed

Kazuhiko Yoshida  
Chairman, CEO

Michio Tanamoto  
COO

Date: 14 August 2008

*The initial public offering of shares of Uni-Asia Finance Corporation (the "Offering") commenced on 8 August 2007 and closed on 15 August 2007. In the Offering, DBS Bank Ltd was the Manager, Underwriter and Placement Agent.*