

# FEDERAL INTERNATIONAL (2000) LTD

(Registration No. 199907113K)

(Incorporated in the Republic of Singapore with limited liability)

## PROPOSED BONUS DIVIDEND AND RIGHTS ISSUE

### 1. INTRODUCTION

1.1 **Bonus Dividend and Rights Issue.** The Board of Directors of Federal International (2000) Ltd ("**Company**") wishes to announce the following exercises ("**Exercises**") to be undertaken by the Company:-

(a) a proposed interim bonus dividend for the financial year ending 31 December 2006 ("**FY2006**") of S\$0.0875 less tax of 20% (or S\$0.07 net) ("**Bonus Dividend**") per ordinary share of the Company ("**Share**") in respect of Shares held by shareholders of the Company ("**Shareholders**") as at a books closure date to be announced by the Company ("**Books Closure Date**"). The Bonus Dividend will be paid to the Shareholders at a later date to be announced by the Company; and

(b) a proposed renounceable non-underwritten rights issue ("**Rights Issue**") of up to 63,073,163 Shares of the Company ("**Rights Shares**") at an issue price of S\$0.28 for each Rights Share ("**Issue Price**"), on the basis of one (1) Rights Share for every four (4) Shares held by Entitled Shareholders (defined below) as at the Books Closure Date, fractional entitlements to be disregarded and availability of option to elect to utilise the Net Bonus Dividend (defined below) to subscribe for Rights Shares.

1.2 The Company has appointed Oversea-Chinese Banking Corporation Limited ("**OCBC Bank**") as the Manager for the Rights Issue.

### 2. RATIONALE FOR THE EXERCISES

2.1 **Bonus Dividend.** The purpose of the Bonus Dividend is to reward Shareholders with a cash dividend and allow the Company to pass on its tax credits under Section 44A of the Income Tax Act (Cap. 134) of Singapore to Shareholders. At the same time, the Bonus Dividend will provide Entitled Shareholders with an option to re-invest their Net Bonus Dividend 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 Net Bonus Dividend. Together with the Bonus Dividend, the Rights Issue will in effect transform a portion of the Company's retained earnings into permanent share capital.

### 3. BONUS DIVIDEND AND RIGHTS ISSUE

#### *Bonus Dividend and Election Option*

3.1 **Terms.** Under the terms of the Bonus Dividend, all Shareholders will be entitled to Bonus Dividend in respect of Shares held by them as at the Books Closure Date. The Bonus Dividend will be paid to the Shareholders at a later date to be announced by the Company.

3.2 **Size of Bonus Dividend.** For illustrative purposes only, based on the Company's issued share capital of 228,780,867 Shares as at 18 December 2006 and assuming that all the 23,511,783 outstanding warrants as at 18 December 2006 which were issued pursuant to the share issue mandate approved at the Extraordinary General Meeting held on 28 October 2004 ("**Warrants**") are exercised, the aggregate amount of the Net Bonus Dividend is approximately S\$17.7 million.

- 3.3 **Election Option.** Entitled Shareholders will have an option to elect to utilise all or part of the net amount of Bonus Dividend which they are entitled to receive based on the Shares held by them as at the Books Closure Date ("**Net Bonus Dividend**") to subscribe for the Rights Shares. For Entitled Shareholders who elect to utilise all of their Net Bonus Dividend to subscribe for the Rights Shares that are provisionally allotted to them, no cash outlay is required of them. Further details are set out in Section 3.7 below. For the avoidance of doubt, Foreign Shareholders (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.
- 3.4 **Payment.** 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, and in the case where such Shareholders have designated their bank accounts for direct crediting of their dividends and other distributions, will have the payment directly credited by CDP to their designated bank accounts.

#### ***Rights Issue***

- 3.5 **Terms.** The Company is proposing the Rights Issue to be offered on a renounceable basis to Entitled Shareholders on the basis of one (1) Rights Share for every four (4) Shares held by Entitled Shareholders as at the Books Closure Date at the Issue Price, being S\$0.28, fractional entitlements to be disregarded.

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

The Issue Price represents a discount of approximately 60.0% to the closing price of S\$0.70 per Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 15 December 2006, being the last trading day of the Shares on SGX-ST prior to the date of this Announcement.

- 3.6 **Size of Rights Issue.** For illustrative purposes only, based on the Company's issued share capital of 228,780,867 Shares as at 18 December 2006 and assuming that all the 23,511,783 Warrants are exercised, the issued share capital of the Company would comprise 252,292,650 Shares and 63,073,163 Rights Shares would be issued. The Company intends to issue Rights Shares in accordance with the general share issue mandate resolution ("**Share Issue Mandate**") under Section 161 of the Companies Act, Chapter 50, of Singapore, approved by Shareholders at the Annual General Meeting held on 27 April 2006.
- 3.7 **Availability of Election Option.** Entitled Shareholders may elect to utilise all or part of their Net Bonus Dividend (to the extent it is sufficient) to subscribe for the Rights Shares that are provisionally allotted to them. Entitled Depositors (defined below) may elect to utilise all or part of their Net Bonus Dividend (to the extent it is sufficient) to make payment for any excess Rights Shares application while Entitled Scripholders (defined below) will not be able to utilise any part of their Net Bonus Dividend to make payment for any excess Rights Shares application. There is no cash outlay from Entitled Shareholders if they elect to utilise all their Net Bonus Dividend to which they are entitled to subscribe for the Rights Shares provisionally allotted to them.

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

- (a) receive the Net Bonus Dividend of S\$0.07 in respect of each Share, which amounts to S\$700 that is receivable by such Entitled Shareholder; and
- (b) accept his provisional allotment of 2,500 Rights Shares at S\$0.28 for each Rights Share, which amounts to S\$700 that is payable by such Entitled Shareholder.

Such Entitled Shareholder may elect to utilise the whole of the S\$700 of Net Bonus Dividend to subscribe for his provisional allotment of Rights Shares, in which event he will receive 2,500 Rights Shares and there will be no cash outlay required of him.

- 3.8 **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 ("**Entitled Shareholders**"), who comprise Entitled Depositors and Entitled Scripholders.
- 3.9 **Entitled Depositors.** Shareholders with Shares standing to the credit of their Securities Accounts and whose registered addresses with CDP 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 CDP with addresses in Singapore for the service of notices and documents ("**Entitled Depositors**").
- 3.10 **Entitled Scripholders.** Shareholders whose share certificates are not deposited with CDP and who have tendered to B.A.C.S. Private Limited ("**Share Registrar**") valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and 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 ("**Entitled Scripholders**").
- 3.11 **Foreign Shareholders.** For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the Rights Issue is only made in Singapore and 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**") to be issued in relation to and for the purposes of the Rights Issue and the accompanying documents will not be mailed outside Singapore.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares, which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold "nil-paid" on the SGX-ST as soon as practicable 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 the expenses expected to be incurred. 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 or, as the case may be, the number of Shares entered against their names in the Depository Register 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 and no Foreign Shareholder shall have any claim whatsoever against the Company, OCBC Bank, CDP or CPF Board 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, OCBC Bank, CDP or CPF Board and their respective officers in respect of such sales or the proceeds thereof, of such provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

- 3.12 **Provisional Allotments.** Entitled Shareholders will be at liberty to accept, decline, or otherwise renounce or trade their provisional allotments of the Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Rights Shares, preference will be given to Shareholders for rounding of odd lots, and substantial shareholders and Directors will rank last in priority.
- 3.13 **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 (including the option to elect to utilise the Net Bonus Dividend to subscribe for the Rights Shares) will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.
- 3.14 **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.
- 3.15 **Non-Underwritten Rights Issue.** The rationale for the Rights Issue is to strengthen the capital base of the Company following the payment of the Net Bonus Dividend. As the Company has sufficient financial resources and credit facilities to fund the full Net Bonus Dividend payout, if required, regardless of the outcome of the Rights Issue, the Company decided to proceed with the Rights Issue on a non-underwritten basis.
- 3.16 **Substantial Shareholders' Undertakings.** The following substantial shareholders of the Company, namely Koh Kian Kiong, Chew Keng Keong, Excel Key Investment Corporation and Unichem Assets Management Ltd, beneficially own 32,518,270 Shares representing 14.2% of the issued share capital of the Company, 25,338,250 Shares representing 11.1% of the issued share capital of the Company, 13,100,000 Shares representing 5.7% of the issued share capital of the Company and 14,416,000 Shares representing 6.3% of the issued share capital of the Company, respectively as at 18 December 2006. Each of the said substantial shareholders of the Company has irrevocably undertaken to elect to utilise his/its entire Net Bonus Dividend to subscribe for the whole of his/its entitlement of Rights Shares under the Rights Issue. Such undertaking will include Rights Shares that such substantial shareholder of the Company shall be entitled to pursuant to an exercise of his/its Warrants (as defined below) during the period up to the Books Closure Date. In addition, Koh Kian Kiong has undertaken to make excess application(s) and/or procure that excess application(s) will be made for any Rights Shares not subscribed for at the close of the Rights Issue up to a maximum of 3,570,000 Rights Shares, after the satisfaction of all applications and excess applications (if any) for the Rights Shares.
- 3.17 **Option to Scale Down Subscription.** Depending on the level of subscription for the Rights Shares, the Company may, if necessary, scale down the subscription for the Rights Shares by any of the substantial shareholders of the Company to avoid placing him/it in the position of incurring a mandatory general offer obligation under the Singapore Code on Take-overs and Mergers in the event that the Rights Issue is not fully subscribed.
- 3.18 **Odd Lots.** Shareholders should note that they are able to trade odd lots of Shares in board lots of one Share on the Unit Share Market of the SGX-ST.

#### 4. APPROVALS

**Approval for Rights Issue.** The Rights Issue is subject to the in-principle approval of SGX-ST for the listing of and quotation for the Rights Shares on the Official List of the SGX-ST and the lodgment of the Offer Information Statement with the Monetary Authority of Singapore. 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 in due course. The Offer Information Statement will be lodged with the Monetary Authority of Singapore and despatched to Entitled Shareholders in due course after in-principle approval of the SGX-ST is obtained.

#### 5. WARRANTS

As a consequence of the Rights Issue, adjustments will have to be made to the outstanding Warrants ("**Warrants**") issued pursuant to the Deed Poll dated 4 November 2004 ("**Deed Poll**"). Notice will be sent to Warrantholders (as defined in the Deed Poll) in accordance with the relevant provisions of the Deed Poll.

BY ORDER OF THE BOARD

Chng Geok  
Executive Director  
18 December 2006