

First Quarter Financial Statement And Dividend Announcement for the Period Ended 31 March 2008

FEDERAL INTERNATIONAL (2000) LTD

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL 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.

	<-----Group----->		
	S\$ ' 000		
	3 months ended	3 months ended	
	Mar 2008	Mar 2007	Change
Revenue	44,044	49,678	-11.34%
Cost of sales	(32,178)	(38,575)	-16.58%
Gross profit	11,866	11,103	6.87%
Other income	679	595	14.12%
Selling and Distribution costs	(4,858)	(2,428)	100.08%
Administrative and General costs	(2,183)	(2,199)	-7.05%
Finance costs	(906)	(680)	33.24%
Share of results of associates	(256)	190	-234.74%
Profit before taxation and minority interest	4,342	6,581	-31.91%
Tax expense	(940)	(1,370)	-31.39%
Profit for the period	3,402	5,211	-32.05%
Attributable to:			
Equity holders of the Company	2,463	4,633	
Minority Interests	939	578	
	3,402	5,211	

Profit before taxation included the following (charges)/credits:

Interest income	307	470	-34.68%
Interest on borrowings	(906)	(680)	33.24%
Depreciation and amortisation	(1,434)	(908)	57.93%
Allowance for doubtful debts (trade)	(84)	(166)	-49.40%
Allowance for stock obsolescence	(50)	(50)	0.00%
Loss on disposal of investment in other investment	(56)	-	NM

Loss on disposal of investment in associated company	-	(37)	NM
Impairment loss in fair value of investment	-	(188)	NM
Foreign exchange (loss)/gain	(1,529)	285	-636.49%

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

Group		Company	
S\$ ' 000		S\$ ' 000	
Mar 08	Dec 07	Mar 08	Dec 07

Non-current assets

Fixed assets	89,398	107,795	26	12
Subsidiary companies	-	-	46,181	46,181
Associated companies	11,833	9,196	11,943	8,560
Other investments	20	20	-	-
Lease payment receivables	21,787	-	-	-
Other debtors	1	1	-	-
Deferred tax assets	134	134	30	30
Intangible assets	1,572	1,320	-	-
	124,745	118,466	58,180	54,783

Current assets

Stocks and work-in-progress	35,124	33,801	-	-
Trade debtors	40,268	32,640	-	-
Other debtors	3,669	3,399	510	789
Advance payment to suppliers	18,992	3,067	-	-
Prepayments and deposits	266	837	4	4
Lease payment receivables	637	-	-	-
Deferred expense	385	-	-	-
Amounts due from subsidiary companies	-	-	49,245	47,397
Amounts due from associated companies	4,490	5,095	2,442	2,158
Amounts due from related parties	3,783	8,350	-	-
Fixed deposits	14,784	22,310	1,705	6,274
Cash and bank balances	11,247	8,961	124	118
	133,645	118,460	54,030	56,740

	Group		Company	
	S\$ ' 000		S\$ ' 000	
	Mar 08	Dec 07	Mar 08	Dec 07
Current liabilities				
Trade creditors	21,774	17,271	-	-
Other creditors	16,901	9,861	3,972	4,411
Advances from customers	2,368	4,287	-	-
Deferred revenue	8	77	-	-
Amount due to subsidiary company	-	-	3,275	3,272
Amounts due to associated companies	428	379	2	2
Amounts due to related parties	2,306	1,917	2,306	1,905
Amounts due to bankers	29,143	28,198	-	-
Term loans	25,021	26,724	-	-
Hire purchase creditors	56	39	-	-
Derivative financial instruments	3,897	3,554	-	-
Provision for taxation	4,225	3,275	390	303
	106,127	95,582	9,945	9,893
Net current assets	27,518	22,878	44,085	46,847
Non-current liabilities				
Term loans	30,960	19,654	-	-
Hire purchase creditors	155	86	-	-
Deferred tax liability	174	238	-	-
	31,289	19,978	-	-
Net assets	120,974	121,366	102,265	101,630
Equity attributable to equity holders of the Company				
Share capital	79,208	79,208	79,208	79,208
Revaluation reserve	1,030	1,030	-	-
Capital reserve	2,773	2,773	-	-
Warrants reserve	-	-	-	-
Hedging reserve	(583)	(377)	-	-
Foreign currency translation reserve	(5,466)	(1,612)	-	-
	34,011	31,548	23,057	22,422
Revenue reserves	110,973	112,570	102,265	101,630

	Group		Company	
	S\$ ' 000		S\$ ' 000	
	Mar 08	Dec 07	Mar 08	Dec 07
Minority interests	10,001	8,796	-	-
Total equity	120,974	121,366	102,265	101,630

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.
Amount repayable in one year or less, or on demand**

As at 31 March 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
46,338	7,882	51,224	3,737

Amount repayable after one year

As at 31 March 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
31,116	-	19,741	-

Details of any collateral

The Group's secured borrowings comprised term loans and trust receipts which are secured by way of the subsidiary companies' properties at 11 Tuas Avenue 1, Singapore 639496 and at 12 Chin Bee Drive Singapore 619868, as well as, the subsidiary companies' vessels, Federal I and Federal II and co-generation plant.

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

	Jan- Mar 2008	Jan- Mar 2007
	\$'000	\$'000
Cashflows from operating activities:		
Operating profit before taxation	4,342	6,581
Add / (Less) :		
Amortisation of intangible assets	33	29
Currency realignment	526	312
Depreciation of fixed assets	1,401	879
Loss on disposal of investment in a subsidiary company	56	-
Loss on disposal of investment in an associated company	-	37
Loss/(gain) on fair value adjustment of forward currency contracts	138	(485)
Impairment loss in fair value of investment	-	188
Interest income	(307)	(470)

Interest expense	906	680
Allowance for doubtful debts	84	166
Bad debt recovered	(23)	-
Allowance for stock obsolescence	50	50
Share of associated companies' loss/(profits)	256	(190)
Operating income before reinvestment in working capital	7,462	7,777
Inflow / (Outflow) :		
Increase in stocks and work-in-progress	(1,373)	(1,354)
(Increase)/decrease in trade debtors	(7,688)	551
Decrease in lease payment receivables	143	-
(Increase)/decrease in other debtors	(270)	483
(Increase)/decrease in advance payments to suppliers	(15,925)	4,391
Decrease/(increase) in prepayments and deposits	312	(1,035)
Increase in deferred expenses	(126)	-
Decrease/(increase) in amounts due from associated companies	274	(858)
Decrease in amounts due from related parties	4,567	5
Increase/(decrease) in trade creditors	4,503	(1,789)
Increase in other creditors	7,040	791
Decrease in advances from customers	(1,918)	(7,979)
Increase in trust receipts and bills payable	3,564	3,762
Decrease in deferred revenue	(69)	(69)
Increase in amounts due to associated companies	49	66
Increase in amounts due to related parties	389	-
Cash generated from operations	934	4,742
Income tax refund	31	6
Interest received	637	667
Interest paid	(906)	(680)
Net cash generated from operating activities	696	4,735
Cashflows from investing activities		
Inflow / (Outflow) :		
Purchase of fixed assets	(9,630)	(2,775)
Proceeds from disposal of interest in associated company	-	1,121
Proceeds from sale of fixed assets	6	-
Investment in associated companies	(3,383)	-
Purchase of Intangible assets	-	(36)
Decrease in fixed deposit pledged	8,381	1,906

Net cash (used in)/from investing activities	(4,626)	216
Cashflows from financing activities		
Inflow / (Outflow) :		
Dividend payment in respect of prior year	-	(17,338)
Decrease in secured bank overdrafts	(2,616)	(82)
Expenses on issuance of shares	-	(187)
Proceeds from issuance of shares on exercise of warrants	-	20,968
Proceeds from /(repayments of obligations) under finance lease	86	(3)
Proceeds from/(repayments of) term loans	9,602	(2,000)
Net cash from financing activities	7,072	1,358
Net increase in cash & cash equivalents	3,142	6,309
Cash and cash equivalents at beginning of period	22,889	32,289
Cash and cash equivalents at end of period	26,031	38,598

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

	Attributable to the equity holders of the company									Minority interests	Total equity
	Share capital	Share premium	Warrants reserve	Revenue reserves	Foreign Currency translation reserve	Revaluation reserve	Capital reserve	Hedging reserve	Total reserves		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group											
Balance as at 1 January 2007	56,238	-	1,262	25,801	(1,118)	180	2,773	(252)	28,646	6,989	91,873
Net effect of exchange differences	-	-	-	-	(41)	-	-	-	(41)	(190)	(231)
Net change in fair value adjustment reserve	-	-	-	-	-	-	-	90	90	-	90
Net income recognised directly in equity	-	-	-	-	(41)	-	-	90	49	(190)	(141)
Profit for the period	-	-	-	4,633	-	-	-	-	4,633	578	5,211
Total recognised income and expenses for the period	-	-	-	4,633	-	-	-	-	4,633	578	5,211
Dividends on ordinary shares	-	-	-	(17,338)	-	-	-	-	(17,338)	-	(17,338)
Issuance of shares	20,968	-	-	-	-	-	-	-	-	-	20,968
Transfer from warrants reserve	1,262	-	(1,262)	-	-	-	-	-	(1,262)	-	-

as a result of
exercise of
warrants

Expenses on
issuance of shares

(187) - - - - - - - - - - (187)

**Balance as at 31
March 2007**

78,281 - - 13,096 (1,159) 180 2,773 (162) 14,728 7,377 100,386

Balance as at 1
January 2008

79,208 - - 31,548 (1,612) 1,030 2,773 (377) 33,362 8,796 121,366

Net effect of
exchange
differences

- - - - (3,854) - - - (3,854) 266 (3,588)

Net change in fair
value adjustment
reserve

- - - - - - - (206) (206) - (206)

Net income
recognised directly
in equity

- - - - (3,854) - - (206) (4,060) 266 (3,794)

Profit for the
period

- - - 2,463 - - - - 2,463 939 3,402

Total recognised
income and
expenses for
the period

- - - 2,463 - - - - 2,463 939 3,402

Dividends on
ordinary shares

- - - - - - - - - - -

**Balance as at 31
March 2008**

79,208 - - 34,011 (5,466) 1,030 2,773 (583) 31,765 10,001 120,974

1(d)(i)

	Attributable to the equity holders of the company				Total equity S\$'000
	Share capital	Warrants reserve	Revenue reserves	Total reserves	
	S\$'000	S\$'000	S\$'000	S\$'000	
The Company					
Balance as at 1 January 2007	56,238	1,262	26,622	27,884	84,122
Profit for the period	-	-	689	689	689
Total recognised income and expenses for the period	-	-	689	689	689
Dividends on ordinary shares	-	-	(17,338)	(17,338)	(17,338)
Issuance of shares	20,968	-	-	-	20,968
Transfer from warrants reserve as a result of exercise of warrants	1,262	(1,262)	-	(1,262)	-
Expenses on issuance of shares	(187)	-	-	-	(187)
Balance as at 31 March 2007	78,281	-	9,973	9,973	88,254
Balance as at 1 January 2008	79,208	-	22,422	22,422	101,630
Profit for the period	-	-	635	635	635
Total recognised income and expenses for the period	-	-	635	635	635
Balance as at 31 March 2008	79,208	-	23,057	23,057	102,265

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.

Nil

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.

	Mar 08	Dec 07
Total no. of issued shares (excluding treasury shares)	314,823,328	314,823,328

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 or practice.

The figures have not been audited or reviewed by the auditors.

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 applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the year ended 31 December 2007, except as described in the following paragraph.

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.

The adoption of the new/revised FRS are assessed to have no material impact on the results of the Group.

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.

	Group	
	Mar 08	Mar 07
(i) Based on the weighted average number of ordinary shares on issue	0.78 cents	1.64 cents
(ii) On a fully diluted basis	0.78 cents	1.63 cents

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of shares of the issuer: at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	Mar 08	Dec 07	Mar 08	Dec 07
Net asset value per ordinary share as at the end of period/year	35.25 cents	35.76 cents	32.48 cents	32.28 cents

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 the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Group revenue for the first quarter ended 31 March 2008 ("1Q08") decreased 11.5% to \$44.0 million from \$49.7 million in the first quarter of FY2007 ("1Q07"). The decline was attributed to a one-off contract to supply line pipes in 1Q07 for a special project undertaken by one of our customers in the United Arab Emirates. However, the drop was offset by revenue generated from new business activities including the co-generation plant of Banyan Utilities Pte Ltd ("Banyan Utilities"), the chartering of the FSO vessel, *Federal II*, and an increase in sales in KVC (UK) Ltd.

Although revenue had declined by 11.5% in 1Q08, gross profit recorded a modest improvement of 7.2% to \$11.9 million from \$11.1 million in 1Q07, due to the Group's focus on high margin business activities.

Selling and Distribution costs increased by slightly more than two-fold to \$4.9 million from \$2.4 million previously, due mainly to foreign exchange losses driven by the weaker US dollar and higher depreciation and amortisation charges in 1Q08.

Depreciation and amortisation charges increased by 55.6% to \$1.4 million from \$0.9 million in 1Q07 due to the Group's purchase of a second FSO vessel, *Federal II* and the purchase of

property by wholly-owned subsidiary Alton International (S) Pte Ltd ("Alton") for use as its business premises in the last quarter of 2007.

Finance costs increased by 28.5%, to \$0.9 million in 1Q08 from \$0.7 million previously due to interest expenses incurred from financing the *Federal II*, the property purchased by Alton and investment in the co-generation plant of Banyan Utilities.

Share of results of associates decreased 250.0% from a profit of \$0.2 million in 1Q07 to a loss of \$0.3 million due mainly to audit adjustments on accruals and purchases of the Group's associated company KVC Co., Ltd,(whose financial year end is 31 January) which had increased in tandem with higher revenue.

Fixed Assets decreased to \$89.4 million in 1Q08, from \$107.8 million in 1Q07 largely due to the foreign exchange translation in value of the Group's two FSO vessels, *Federal I and II* and the reversal of the co-generation plant of Banyan Utilities. The co-generation plant was previously accounted for as construction-in-progress and is now recognised as lease payment receivables upon commencement of its services in accordance with FRS 17.

Associated companies under non-current assets recorded a \$2.6 million increase mainly due to an increase in capital investment in PT Gunanusa Utama Fabricators ("PTG"). The proceeds from PTG's issuance of new shares would be used to strengthen its working capital, upgrade its existing yard facilities and invest in a new barge and shipyard.

The current and non-current lease payment receivables of \$0.6 million and \$21.8 million respectively were attributed to the 12-year Build-Operate-Transfer ("BOT") co-generation project of Banyan Utilities. The project is expected to bring in total guaranteed revenue of \$54.0 million over the 12-year contractual period.

The significant increase in the advance payment to suppliers under current assets of \$19.0 million in 1Q08 compared to \$3.1 million in 1Q07 was due largely to the partial advance payment of US\$12.0 million for the 1,200 HP land rig that was acquired recently by Alton.

Other creditors increased from \$9.9 million in December 2007 to \$16.9 million in 1Q08 due mainly to the costs incurred for the construction of the co-generation plant.

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

In the full year financial statements released on 27 February 2008, it was stated that the Group is confident of achieving higher revenue for FY2008. Notwithstanding the lower revenue recorded in 1Q08 compared to 1Q07, the Board still expects the Group to achieve higher revenue for FY2008.

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

Although there was a slight delay in the commencement of the BOT co-generation plant project by Banyan Utilities, operations are now on schedule and this project is expected to generate revenue in the second quarter of FY2008.

For the second half of the year ("2H08"), the Group expects an increase in income from the marine logistics segment, specifically the vessel chartering business. This is because the Group's second vessel, *Federal II*, is expected to undergo refurbishment from mid-May 2008 to mid-June 2008. Upon completion, the vessel would be in a better position to secure higher chartering rates. The land rig that the Group acquired is expected to generate revenue in 4Q08.

To meet the growing global demand for energy, expenditure on oil & gas exploration and production activities is expected to be sustained for the short to medium term. This would in turn boost demand for oilfield machinery and related equipment such as valves, pipe fittings and others. Having invested in Build-Operate-Own (BOO) utilities-related projects in Indonesia, as well as in other projects such as the waste water treatment project in China in recent months, the Group has laid a strong foundation for long-term business activities which are expected to generate revenue in FY2009.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

NA

13. Negative Assurance Confirmation Statement on Interim Financial Statements

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the interim financial statements for the first quarter ended 31 March 2008 to be false or misleading in any material aspect .

BY ORDER OF THE BOARD

Koh Kian Kiong
Executive Chairman & CEO
Director

Chng Geok
CFO
Director

14 May 2008