

FEDERAL INTERNATIONAL (2000) LTD

(Incorporated in Singapore)

Company Registration No. 199907113K

SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2008 (the "Results")

The Board of Directors of Federal International (2000) Ltd (the "Company" and together with its subsidiaries, the "Group") refers to the Results announcement released on 13 August 2008 and would like to provide the following additional information to the Results:

(a) We note in Paragraph 1(a) of the results announcement that the 'Share of results of associates' had turnaround from a negative position of S\$0.699 million in 2Q2007 to a positive position of S\$0.771 million in 2Q2008. As the 'Share of results of associates' contributed about 24% to the Company's profit after tax, please provide a review of the material contribution of the associates to the Company's business.

The increase in share of profits of associates was mainly attributed to the "Build, Operate and Own" project in Indonesia of the Group's associated company which became fully operational in late FY2007 and the business of Group's other associated companies in Indonesia had also begun to turn around.

(b) We note in Paragraph 1(a) of the results announcement that there was a 'Foreign exchange loss' of S\$1.636 million in 2Q2008 as compared to a Foreign exchange gain of S\$0.8 million in 2Q2007. In this respect, please provide the following information:

(i) Whether any further provisions may be necessary;

The Company had assessed the foreign exchange loss and made adequate provision as at 30 June 2008. No further provision is required as any gain or loss on outstanding contracts have been assessed and charged to profit and loss as fair value adjustment of forward currency contracts.

(ii) Any hedging policies and whether the Board of Directors is fully informed.

Yes, there are hedging policies as stated in the 2007 annual report. To mitigate adverse fluctuations in exchange rates, the Group utilises forward currency contracts on an ad-hoc basis to eliminate foreign currency transactions after the Group has entered into a firm commitment for a sale or purchase. The Group also use derivative financial instruments to hedge its expected cash flows. The forward currency contracts must be in the same currency as the hedged item.

The Board is kept informed of the Company's hedging policy, which is consistent with the Company's accounting policies on derivative financial instruments, as disclosed in its 2007 annual report.

(c) We note in Paragraph 1(b)(i) of the results announcement that 'Trade receivables' has increased by 57% from S\$32.64 million as at 31 Dec 2007 to S\$51.229 million as at 30 Jun 2008 when 'Revenue' has increased by 15.29% in 2Q2008 and 0.64% in 1H2008. In respect of the above, please provide the following information:

- (i) Breakdown on major items contributing to increase in 'Trade receivables'.**
- (ii) Reasons for the increase in 'Trade receivables'.**

The increase in trade receivables of \$18.6 million is due mainly to longer credit terms being extended to new strategic partners for strategic markets during the year and increase in sales transacted in the month of June 2008 as compared to the month of December 2007 being outstanding as trade receivables.

(iii) Trade and other receivables turnover days for current period as compared to previous corresponding period and elaborate on material variances, if any.

Trade receivables turnover days have increased from 77 days in FY2007 to 103 days in 1H2008. The increase in turnover days is in line with longer credit terms being extended to new strategic partners for strategic markets during the year

(iv) Directors' views on whether provision for doubtful debt is adequate and basis for their views.

The Directors are of the view that provision for doubtful debt is adequate as at 30 June 2008 as Management closely monitors the aging of receivables and collectability. When there is any doubt or concern on collectability, it will be provided for in the financial statements.

Trade receivables amounting to approximately \$19.0 million had since been received subsequent to the period under review.

d) We note in Paragraph 1(b)(i) of the results announcement that 'Trade payables' has increased by 21% from S\$17.271 million as at 31 Dec 2007 to S\$20.899 million as at 30 Jun 2008 and that 'Other payables' has increased by 17.6% from S\$9.86 million as at 31 Dec 2007 to S\$11.596 million as at 30 Jun 2008 when 'Cost of sales' has only increased by 7.56% in 2Q2008 and has decreased by 5.99% in 1H2008. In respect of the above, please provide the following information:

- (i) Reasons for the increase in 'Trade payables' and 'Other payables'.**
- (ii) Breakdown of major items contributing to the increase.**

The increase in trade payables of \$3.6 million is attributed to the commencement of operations of the Build, Operate and Transfer" project which contributed approximately \$1.0 million, as well as the increased business activities of a new subsidiary which contributed approximately \$1.4 million.

The increase in other payables of \$1.7 million is due mainly to a loan of approximately \$1.1 million extended to a subsidiary company, Federal Offshore Services Pte Ltd by the minority shareholder, for the deposit to acquire an Anchor Handling Tug (as announced on 16 May 2008) which will be capitalised subsequent to the period under review.

- e) ***We note on Page 14 of the results announcement that there was "higher losses on fair value adjustment of forward currency contracts". In this respect, please advise if there were any hedging policies on foreign exchange and whether there were any review by the Board of Directors.***

As disclosed in (b)(ii) above.

By Order of the Board

Chng Geok
Director/Company Secretary

19 August 2008