

Second Quarter and Half-Year Financial Statement And Dividend Announcement for the Period Ended 30 June 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-----> | | | <-----Group-----> | | |
|---|------------------------|------------------------|----------|------------------------|------------------------|----------|
| | S\$ ' 000 | | Change | S\$ ' 000 | | Change |
| | 3 mths ended Jun 08 | 3 mths ended Jun 07 | | 6 mths ended Jun 08 | 6 mths ended Jun 07 | |
| Revenue | 46,837 | 40,626 | 15.29% | 90,881 | 90,304 | 0.64% |
| Cost of sales | (32,435) | (30,155) | 7.56% | (64,614) | (68,730) | -5.99% |
| Gross profit | 14,402 | 10,471 | 37.54% | 26,267 | 21,574 | 21.75% |
| Other income | 761 | 492 | 54.67% | 1,440 | 1,087 | 32.47% |
| Selling and Distribution costs | (5,550) | (2,246) | 147.11% | (10,408) | (4,674) | 122.68% |
| Administrative and General costs | (4,235) | (2,820) | 50.18% | (6,418) | (5,019) | 27.87% |
| Finance costs | (1,245) | (619) | 101.13% | (2,151) | (1,299) | 65.59% |
| Share of results of associates | 771 | (699) | -210.30% | 515 | (509) | -201.18% |
| Profit before taxation and minority interest | 4,904 | 4,579 | 7.10% | 9,245 | 11,160 | -17.16% |
| Tax expense | (1,749) | (881) | 98.52% | (2,689) | (2,251) | 19.46% |
| Profit for the period | <u>3,155</u> | <u>3,698</u> | -14.68% | <u>6,556</u> | <u>8,909</u> | -26.41% |
| Attributable to: | | | | | | |
| Equity holders of the Company | 3,169 | 3,121 | | 5,631 | 7,754 | |
| Minority Interests | (14) | 577 | | 925 | 1,155 | |
| | <u>3,155</u> | <u>3,698</u> | | <u>6,556</u> | <u>8,909</u> | |

| <-----Group-----> | | |
|-------------------|--------------|--------|
| S\$ ' 000 | | |
| 3 mths ended | 3 mths ended | |
| Jun 08 | Jun 07 | Change |

| <-----Group-----> | | |
|-------------------|--------------|--------|
| S\$ ' 000 | | |
| 6 mths ended | 6 mths ended | |
| Jun 08 | Jun 07 | Change |

Profit before taxation included the following charges(credit):

| | | | | | | |
|--|-------|-------|----------|-------|---------|----------|
| Interest income | (328) | (346) | -5.20% | (635) | (816) | -22.18% |
| Interest on borrowings | 1,245 | 619 | 101.13% | 2,151 | 1,299 | 65.59% |
| Depreciation and amortisation | 1,404 | 923 | 52.11% | 2,838 | 1,831 | 55.00% |
| (Reversal of)/Allowance for doubtful debts | (283) | 331 | -185.50% | (199) | 497 | -140.04% |
| Allowance for stock obsolescence | 50 | 50 | - | 100 | 100 | - |
| Foreign exchange loss/(gain) | 1,636 | (800) | -304.50% | 3,165 | (1,085) | -391.71% |
| (Gain)Loss on disposal in investment in associated companies | (209) | - | NM | (209) | 37 | -664.86% |

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 | |
| | Jun 08 | Dec 07 | Jun 08 | Dec 07 |
| Non-current assets | | | | |
| Fixed assets | 87,969 | 107,795 | 27 | 12 |
| Subsidiary companies | - | - | 46,213 | 46,181 |
| Associated companies | 10,217 | 9,196 | 9,058 | 8,560 |
| Other investments | 20 | 20 | - | - |
| Lease payment receivables | 21,610 | - | - | - |
| Other receivables | - | 1 | - | - |
| Deferred tax assets | 153 | 134 | 30 | 30 |
| Intangible assets | 1,571 | 1,320 | - | - |
| | 121,540 | 118,466 | 55,328 | 54,783 |
| Current assets | | | | |
| Stocks and work-in-progress | 35,678 | 33,801 | - | - |
| Trade receivables | 51,229 | 32,640 | - | - |
| Other receivables | 3,475 | 3,399 | 514 | 789 |
| Advance payment to suppliers | 38,690 | 3,067 | - | - |
| Prepayments and deposits | 4,866 | 837 | 4 | 4 |
| Lease payment receivables | 666 | - | - | - |
| Deferred expense | 2,545 | - | - | - |
| Amounts due from subsidiary companies | - | - | 47,677 | 47,397 |
| Amounts due from associated companies | 5,004 | 5,095 | 2,339 | 2,158 |
| Amounts due from related parties | 7,703 | 8,350 | - | - |
| Fixed deposits | 4,779 | 22,310 | 1,070 | 6,274 |
| Cash and bank balances | 8,829 | 8,961 | 61 | 118 |
| | 163,464 | 118,460 | 51,665 | 56,740 |

| Group | | Company | |
|-----------|--------|-----------|--------|
| S\$ ' 000 | | S\$ ' 000 | |
| Jun 08 | Dec 07 | Jun 08 | Dec 07 |

Current liabilities

| | | | | |
|-------------------------------------|---------|--------|-------|-------|
| Trade payables | 20,899 | 17,271 | - | - |
| Other payables | 11,596 | 9,860 | 1,844 | 4,411 |
| Advances from customers | 1,724 | 4,287 | - | - |
| Deferred revenue | 245 | 77 | - | - |
| Amount due to subsidiary companies | - | - | 676 | 3,272 |
| Amounts due to associated companies | 317 | 379 | - | 2 |
| Amounts due to related parties | 110 | 1,917 | - | 1,905 |
| Amounts due to bankers | 57,924 | 28,198 | - | - |
| Term loans | 8,889 | 26,724 | - | - |
| Hire purchase creditors | 53 | 39 | - | - |
| Derivative financial instruments | 4,264 | 3,554 | - | - |
| Provision for taxation | 4,597 | 3,275 | 817 | 303 |
| | 110,618 | 95,581 | 3,337 | 9,893 |

Net current assets

| | | | |
|--------|--------|--------|--------|
| 52,846 | 22,879 | 48,328 | 46,847 |
|--------|--------|--------|--------|

Non-current liabilities

| | | | | |
|--------------------------|--------|--------|-------|---|
| Term loans | 53,497 | 19,654 | 4,219 | - |
| Hire purchase creditors | 128 | 86 | - | - |
| Deferred tax liabilities | 84 | 238 | - | - |
| | 53,709 | 19,978 | 4,219 | - |

Net assets

| | | | |
|---------|---------|--------|---------|
| 120,677 | 121,367 | 99,437 | 101,630 |
|---------|---------|--------|---------|

| Group | | Company | |
|-----------|--------|-----------|--------|
| S\$ ' 000 | | S\$ ' 000 | |
| Jun 08 | Dec 07 | Jun 08 | Dec 07 |

Equity attributable to equity holders of the Company

| | | | | |
|--------------------------------------|---------|---------|--------|---------|
| Share capital | 79,208 | 79,208 | 79,208 | 79,208 |
| Foreign currency translation reserve | (3,546) | (1,612) | - | - |
| Capital reserve | 2,773 | 2,773 | - | - |
| Revaluation reserve | 1,030 | 1,030 | - | - |
| Hedging reserve | (504) | (377) | - | - |
| Revenue reserves | 32,143 | 31,549 | 20,229 | 22,422 |
| | 111,104 | 112,571 | 99,437 | 101,630 |
| Minority interests | 9,573 | 8,796 | - | - |
| Total equity | 120,677 | 121,367 | 99,437 | 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 30 June 2008 | | As at 31 December 2007 | |
|--------------------|-----------|------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 43,177 | 23,689 | 51,224 | 3,737 |

Amount repayable after one year

| As at 30 June 2008 | | As at 31 December 2007 | |
|--------------------|-----------|------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 46,354 | 7,270 | 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.

| | <u>Apr- Jun</u> <u>2008</u> | <u>Apr- Jun</u> <u>2007</u> | <u>Jan- Jun</u> <u>2008</u> | <u>Jan- Jun</u> <u>2007</u> |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Cash flows from operating activities: | | | | |
| Operating profit before taxation | 4,904 | 4,579 | 9,245 | 11,160 |
| Add / (Less) : | | | | |
| Amortisation of intangible assets | 31 | 31 | 64 | 60 |
| Currency realignment | 2,652 | (254) | 3,049 | 54 |
| Depreciation of fixed assets | 1,373 | 892 | 2,774 | 1,771 |
| Loss/(gain) on fair value adjustment of forward currency contracts | 448 | 131 | 585 | (354) |
| Loss on disposal of investment in other investment | - | - | 56 | - |
| (Gain)Loss on disposal in investment in associated companies | (209) | - | (209) | 37 |
| Gain on disposal of fixed assets | (11) | - | (11) | - |
| Interest income | (328) | (346) | (635) | (816) |
| Interest expense | 1,245 | 619 | 2,151 | 1,299 |
| Impairment loss in fair value of investment in associated company | - | - | - | 188 |
| (Reversal of)/allowance for doubtful debts | (283) | 331 | (199) | 497 |
| Bad debts reversal/(written off) | 22 | - | (2) | - |
| Allowance for stock obsolescence | 50 | 50 | 100 | 100 |
| Share of associated companies' (gain)/loss | (771) | 699 | (515) | 509 |
| Operating income before reinvestment in working capital | 9,123 | 6,732 | 16,453 | 14,505 |
| Inflow / (Outflow) : | | | | |
| Increase in stocks and work-in-progress | (603) | (4,935) | (1,976) | (6,289) |
| Increase in trade receivables | (10,700) | (3,642) | (18,389) | (3,090) |
| Decrease in lease payment receivables | 149 | - | 292 | - |
| Decrease/(increase) in other receivables | 194 | (2,327) | (76) | (1,843) |
| (Increase)/decrease in advance payments to suppliers | (19,698) | (171) | (35,623) | 4,220 |
| (Increase)/decrease in prepayments and deposits | (4,600) | 198 | (4,288) | (837) |
| Increase in deferred expenses | (2,159) | (361) | (2,286) | (361) |
| (Increase)/decrease in amounts due from associated companies | (468) | 491 | (194) | (367) |
| (Increase)/decrease in amounts due from related parties | (3,919) | 24 | 647 | 29 |

| | <u>Apr- Jun</u> <u>2008</u> | <u>Apr- Jun</u> <u>2007</u> |
|--|--------------------------------|--------------------------------|
| | <u>\$'000</u> | <u>\$'000</u> |
| (Decrease)/increase in trade payables | (875) | 569 |
| (Decrease)/increase in other payables | (5,305) | (532) |
| Decrease in advances from customers | (645) | (72) |
| Increase in trust receipts and bills payable | 29,409 | 4,312 |
| Increase/(decrease) in deferred revenue | 237 | (3,758) |
| (Decrease)/increase in amounts due to associated companies | (111) | 20 |
| Decrease in amounts due to related parties | (2,196) | - |
| Cash (used in)/ generated from operations | (12,167) | (3,452) |
| Income taxes paid | (1,410) | (1,207) |
| Interest received | 282 | 59 |
| Interest paid | (1,245) | (619) |
| Net cash used in operating activities | (14,540) | (5,219) |
| Cash flows from investing activities | | |
| Inflow / (Outflow) : | | |
| Decrease in fixed deposit pledged | - | 5,313 |
| Purchase of fixed assets | (1,130) | (950) |
| Proceeds from disposal of investment in associated companies | 2,526 | - |
| Proceeds from sale of fixed assets | 22 | 6 |
| Increase in intangible assets | (2) | (74) |
| Advance payment | - | (10,000) |
| Investment in associated companies | (5) | - |
| Net cash provided by/ (used in) investing activities | 1,411 | (5,705) |

| | <u>Jan- Jun</u> <u>2008</u> | <u>Jan- Jun</u> <u>2007</u> |
|--|--------------------------------|--------------------------------|
| | <u>\$'000</u> | <u>\$'000</u> |
| | 3,628 | (1,220) |
| | 1,736 | 259 |
| | (2,564) | (8,050) |
| | 32,973 | 8,074 |
| | 168 | (3,827) |
| | (62) | 86 |
| | (1,806) | - |
| | (11,367) | 1,289 |
| | (1,380) | (1,201) |
| | 920 | 726 |
| | (2,151) | (1,299) |
| | (13,978) | (485) |
| | | |
| | | |
| | 8,381 | 7,219 |
| | (10,628) | (3,722) |
| | 2,526 | 1,121 |
| | 28 | 6 |
| | (2) | (110) |
| | - | (10,000) |
| | (3,388) | - |
| | (3,083) | (5,486) |

| | <u>Apr- Jun</u> <u>2008</u> | <u>Apr- Jun</u> <u>2007</u> |
|---|--------------------------------|--------------------------------|
| | <u>\$'000</u> | <u>\$'000</u> |
| | | |
| Cash flows from financing activities | | |
| Inflow / (Outflow) : | | |
| Dividend payment in respect of prior year | (5,037) | (4,071) |
| (Decrease)/increase in secured bank overdrafts | (629) | 599 |
| Proceeds from issuance of shares | - | 131 |
| Expenses on issuance of shares | - | (23) |
| (Principal repayments)/proceeds from of hire purchase financing | (32) | (15) |
| Proceeds from/(repayment of) additional term loans | 6,405 | (577) |
| | | |
| Net cash provided by/(used in) financing activities | 707 | (3,956) |
| | | |
| Net decrease in cash & cash equivalents | (12,422) | (14,880) |
| | | |
| Cash and cash equivalents at beginning of period | 26,030 | 38,599 |
| | | |
| Cash and cash equivalents at end of period | 13,608 | 23,719 |

| <u>Jan- Jun</u> <u>2008</u> | <u>Jan- Jun</u> <u>2007</u> |
|--------------------------------|--------------------------------|
| <u>\$'000</u> | <u>\$'000</u> |
| | |
| | |
| | |
| | |
| (5,037) | (21,409) |
| (3,244) | 516 |
| - | 21,099 |
| - | (211) |
| 55 | (18) |
| 16,007 | (2,577) |
| | |
| 7,781 | (2,600) |
| | |
| (9,280) | (8,571) |
| | |
| 22,888 | 32,290 |
| | |
| 13,608 | 23,719 |

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 | | | | | | | | | |
|--|---|------------------|------------------|--------------------------------------|-----------------|---------------------|-----------------|----------------|--------------------|----------------|
| | Share capital | Warrants reserve | Revenue reserves | Foreign currency translation reserve | Capital reserve | Revaluation reserve | Hedging Reserve | Total reserves | Minority interests | Total equity |
| | 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) | 2,773 | 180 | (251) | 28,647 | 6,988 | 91,873 |
| Net change in hedging reserve | - | - | - | - | - | - | 144 | 144 | - | 144 |
| Net effect of exchange differences | - | - | - | (56) | - | - | - | (56) | (74) | (130) |
| Net income recognised directly in equity | - | - | - | (56) | - | - | 144 | 88 | (74) | 14 |
| Profit for the period | - | - | 7,754 | - | - | - | - | 7,754 | 1,155 | 8,909 |
| Total recognised income and expenses for the period | - | - | 7,754 | - | - | - | - | 7,754 | 1,155 | 8,909 |
| Dividends on ordinary shares | - | - | (21,409) | - | - | - | - | (21,409) | - | (21,409) |
| Issuance of shares | 21,099 | - | - | - | - | - | - | - | - | 21,099 |
| Transfer from warrants reserve as a result of exercise of warrants | 1,262 | (1,262) | - | - | - | - | - | (1,262) | - | - |
| Expenses on issuance of shares | (211) | - | - | - | - | - | - | - | - | (211) |
| Balance as at 30 June 2007 | 78,388 | - | 12,146 | (1,174) | 2,773 | 180 | (107) | 13,818 | 8,069 | 100,275 |

| Attributable to the equity holders of the company | | | | | | | | | | |
|---|------------------|------------------|--------------------------------------|-----------------|---------------------|-----------------|----------------|--------------------|--------------|----------------|
| Share capital | Warrants reserve | Revenue reserves | Foreign currency translation reserve | Capital reserve | Revaluation reserve | Hedging Reserve | Total reserves | Minority interests | Total equity | |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | |
| Balance as at 1 January 2008 | 79,208 | - | 31,549 | (1,612) | 2,773 | 1,030 | (377) | 33,363 | 8,796 | 121,367 |
| Net effect of exchange differences | - | - | - | (1,934) | - | - | - | (1,934) | (148) | (2,082) |
| Net change in fair value adjustment reserve | - | - | - | - | - | - | (127) | (127) | - | (127) |
| Net income recognised directly in equity | - | - | - | (1,934) | - | - | (127) | (2,061) | (148) | (2,209) |
| Profit for the period | - | - | 5,631 | - | - | - | - | 5,631 | 925 | 6,556 |
| Total recognised income and expenses for the period | - | - | 5,631 | - | - | - | - | 5,631 | 925 | 6,556 |
| Dividends on ordinary shares | - | - | (5,037) | - | - | - | - | (5,037) | - | (5,037) |
| Balance as at 30 June 2008 | 79,208 | - | 32,143 | (3,546) | 2,773 | 1,030 | (504) | 31,896 | 9,573 | 120,677 |

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 | - | - | 1,286 | 1,286 | 1,286 |
| Total recognised income and expenses for the period | - | - | 1,286 | 1,286 | 1,286 |
| Dividends on ordinary shares | - | - | (21,409) | (21,409) | (21,409) |
| Issuance of shares | 21,099 | - | - | - | 21,099 |
| Transfer from warrants reserve as a result of exercise of warrants | 1,262 | (1,262) | - | (1,262) | - |
| Expenses on issuance of shares | (211) | - | - | - | (211) |
| Balance as at 30 June 2007 | 78,388 | - | 6,499 | 6,499 | 84,887 |
| Balance as at 1 January 2008 | 79,208 | - | 22,422 | 22,422 | 101,630 |
| Profit for the period | - | - | 2,844 | 2,844 | 2,844 |
| Total recognised income and expenses for the period | - | - | 2,844 | 2,844 | 2,844 |
| Dividends on ordinary shares | - | - | (5,037) | (5,037) | (5,037) |
| Balance as at 30 June 2008 | 79,208 | - | 20,229 | 20,229 | 99,437 |

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 preceeding year.

| | Jun 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 | |
|--|------------|------------|
| | Jun 08 | Jun 07 |
| (i) Based on the weighted average number of ordinary shares on issue | 1.79 cents | 2.62 cents |
| (ii) On a fully diluted basis | 1.79 cents | 2.61 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 | |
|---|-------------|-------------|-------------|-------------|
| | Jun 08 | Dec 07 | Jun 08 | Dec 07 |
| Net asset value per ordinary share as at the end of period/year | 35.29 cents | 35.76 cents | 31.59 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.

1H2008 vs 1H2007

Group Revenue increased by 0.7% to \$90.9 million from \$90.3 million. The increase was due to an overall improvement in all business segments. In line with the Group's focus on high margin business activities, gross profit margin increased to 28.9% from 23.9%. Both factors contributed to an increase in gross profit from \$21.6 million to \$26.3 million.

Profit before taxation and minority interest decreased by 17.2% to \$9.2 million from \$11.2 million, due to the combination of the factors mentioned below.

Selling and Distribution costs increased by 122.7% to \$10.4 million and 147.1% to \$5.6 million in 1H2008 and 2Q2008 respectively. This is due to foreign exchange losses driven by the weaker US Dollar and incurrence of higher manpower costs and professional fee expenses which are in line with the setting up of offices of new subsidiaries during the year.

Depreciation and amortisation charges recorded an increase of 55.0% and 52.1% for 1H2008 and 2Q2008 respectively. This was attributed to the Group's second FSO vessel, *Federal II*, as well as the acquisition of a property by Group subsidiary, Alton International (S) Pte Ltd ("Alton"), for use as its business premises.

Other income increased by 27.3% to \$1.4 million from \$1.1 million as a result of a gain on the disposal of an associated company, Uni-bulk Hong Kong Limited ("Uni-bulk") in 2Q2008.

Administrative and General costs increased by 27.9% to \$6.4 million in 1H2008 and by 50.2% to \$4.2 million in 2Q2008, due to higher manpower costs and higher depreciation costs which are in line with the setting up of offices of new subsidiaries during the year and higher losses on fair value adjustment of forward currency contracts.

Finance costs increased by 65.6% to \$2.2 million in 1H2008 and by 101.1% to \$1.2 million in 2Q2008, due to interest expenses incurred for financing *Federal II*, the said property and land rig acquired by Alton and investment in the co-generation plant of Banyan Utilities Private Limited ("Banyan Utilities").

The Group's share of results of associates recorded a gain of \$0.5 million compared with a loss of \$0.5 million due to an overall improvement in the financial performance of the associated companies in 2Q2008.

Tax expense for 1H2008 was higher than the Singapore standard corporate tax rate of 18% as taxation was provided for profitable subsidiaries while no tax credit was provided for new subsidiaries set up for projects undertaken during the year. In addition, profit for overseas subsidiaries is subject to the applicable tax rates of the respective countries of domicile which are higher than the Singapore tax rate.

Fixed assets decreased from \$107.8 million in FY2007 to \$88.0 million in 1H2008, due largely to the foreign exchange translation in value of the Group's two FSO vessels, *Federal I* and *Federal II*, as well as 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 \$1.0 million increase due mainly 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. This increase had been offset by the disposal of investment in Uni-bulk.

The lease payment receivables for current and non-current assets of \$0.7 million and \$21.6 million respectively were attributed to the Banyan Utilities' Build-Operate-Transfer ("BOT") co-generation project. The project is expected to generate total guaranteed revenue of \$54 million over its 12-year contractual period.

Advance payment to suppliers in 1H2008 increased significantly to \$38.7 million compared to \$3.1 million in FY2007 due to the advance payment of US\$18 million for the land rig acquired by Alton, as well as the Group's increased business activities, including the Build-Own-Operate ("BOO") oil pipeline project of Geo Link Nusantara Pte Ltd.

Prepayments and deposits increased by \$4.0 million mainly due to deposits for an Anchor Handling Tug and tugboats acquired by subsidiaries Federal Offshore Services Pte Ltd and Federal Energi Pte Ltd respectively.

Deferred expenses of \$2.5 million include BOO projects in Indonesia for a power plant undertaken by subsidiaries such as PT Gasuma and PT Mega Federal Energy, which is expected to generate revenue in FY2009.

Term loans and amounts due to bankers increased due to financing for the land rig and the BOO oil pipeline project, the investment in Banyan Utilities's co-generation plant, and the waste water treatment project of Federal Environmental (China-PZH) Co., Ltd.

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

In the first quarter financial statements released on 13 May 2008, it was stated that the Group was confident of achieving higher revenue in FY2008. Based on the Group's existing order book, the Board expects the Group to be on track with its earlier guidance that the Group will be able to achieve higher revenue in 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.

The Group's second FSO vessel, *Federal II*, had completed refurbishment in July 2008 and is currently chartered out for 15 months, with an option to extend for three months after the contractual period.

While global crude oil prices have eased downwards in recent weeks, for the medium term, the global outlook for energy remains robust and the Group's efforts in oil & gas exploration and production activities should continue as planned. The Group expects to continue receiving enquires and invitations to tender for projects from existing and potential customers.

Meanwhile, the Group's BOO utilities-related projects in Indonesia and waste water treatment project in the People's Republic of China are also in progress. These projects are expected to contribute positively to Group 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 second quarter ended 30 June 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

13 August 2008