

FEDERAL INTERNATIONAL (2000) LTD

PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE (THE "WARRANTS ISSUE") OF UP TO 42,058,530 WARRANTS (THE "WARRANTS"), AT AN ISSUE PRICE ("ISSUE PRICE") OF S\$0.08 FOR EACH WARRANT, EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE OF S\$0.20 EACH, ON THE BASIS OF ONE (1) WARRANT FOR EVERY FIVE (5) ORDINARY SHARES OF S\$0.20 EACH ("SHARES") AT AN EXERCISE PRICE OF S\$0.22 ("EXERCISE PRICE") HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT BOOK CLOSURE DATE TO BE DETERMINED, FRACTIONAL ENTITLEMENTS BEING DISREGARDED

Introduction

The Board of Directors of Federal International (2000) Ltd (the "Company") wishes to announce that the Company proposes a renounceable underwritten rights issue (the "Warrants Issue") of up to 42,058,530 warrants (the "Warrants") to subscribe for up to 42,058,530 new ordinary shares of S\$0.20 each in the capital of the Company (the "New Shares"). The Directors will convene an Extraordinary General Meeting ("EGM") to seek the shareholders' approval for the mandate to issue the Warrants and New Shares.

The Company has appointed Asian Corporate Advisors Pte Ltd ("ACA") as manager of the Warrants Issue and DMG & Partners Securities Pte Ltd ("Underwriter") has agreed to underwrite the Warrants Issue by subscribing and/or procuring subscriptions for any Warrants not taken up under the Warrants Issue, but excluding the Undertaken Warrants (as defined below).

The Company has as at the date hereof an authorised share capital of S\$55,000,000 divided into 275,000,000 ordinary shares of S\$0.20 each ("Shares"), of which 175,243,875 Shares have been issued and are fully paid up ("Existing Issued Share Capital"). At the annual general meeting of the Company held on 28 April 2004, shareholders ("Shareholders") of the Company approved a share issue mandate ("Share Issue Mandate") authorizing the Directors of the Company to allot and issue Shares up to 50% of the issued share capital of the Company, provided that the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders shall not exceed 20% ("20 Sub-limit") of the issued share capital of the Company. Assuming the 20% Sub-limit under the Share Issue Mandate is exercised in full on or before the Books Closure Date (defined below), the Company would have an enlarged issued share capital comprising 210,292,650 Shares ("Enlarged Issued Share Capital").

Proposed Principal Terms of the Warrants Issue

The Company is proposing a Warrants Issue, at a price of S\$0.08 ("Issue Price") for each Warrant, to Shareholders whose registered addresses with the Company or

Central Depository (Pte) Limited ("CDP"), as the case may be, are in Singapore or who have, at least five (5) market days prior to the Books Closure Date (as defined below), provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents. The Warrants Issue will be made on a basis of one (1) Warrant for every five (5) Shares held as at a date to be determined by the Directors of the Company ("Book Closure Date"), fractions of a Warrant to be disregarded.

For practical reasons and in order to avoid any violation of the relevant legislation applicable in countries other than Singapore, the Warrants will not be offered to Shareholders with registered addresses outside Singapore and who have not, at least five (5) market days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents ("Foreign Shareholders"). The entitlements to Warrants which would otherwise be provisionally allotted to Foreign Shareholders will, if practicable, be sold "nil-paid" on the Singapore Exchange Securities Trading Limited ("SGX-ST") or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. Any entitlements to the Warrants not taken up for any reason will be aggregated and allotted to satisfy excess applications or disposed of in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company.

The Warrants will be issued in registered form and will be traded on a book-entry (scripless) settlement basis on the SGX-ST. Each Warrant will, subject to the terms and conditions thereof, carry the right to subscribe for one (1) New Share at the exercise price of S\$0.22 ("Exercise Price"), at any point in time during the period commencing on and including the date of issue of the Warrants till a date falling on the third anniversary of such date of issue. The Exercise Price of the Warrants and the number of Warrants held by each Warrantholder will be subject to adjustments under certain circumstances in accordance with the Deed Poll. The New Shares of the Company arising from the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares of the Company save that they shall not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which is before the exercise date of the Warrants.

Based on the Existing Issued Share Capital and the Enlarged Issued Share Capital of 175,243,875 Shares and 210,292,650 Shares, respectively, a minimum of 35,048,775 Warrants ("Minimum Warrants Issue") and a maximum of 42,058,530 Warrants ("Maximum Warrants Issue") would be issued pursuant to the Warrants Issue.

Purpose and Use of Proceeds

The estimated net proceeds of the Warrants Issue, after deducting estimated expenses, will amount to approximately between S\$2.404 million (assuming a Minimum Warrants Issue) to S\$2.965 million (assuming a Maximum Warrants Issue) (the "Net Proceeds"). The Company intends to utilise the Net Proceeds for the Group's working capital.

As and when the Warrants are exercised, the proceeds arising from the issue of New Shares may, at the discretion of the Directors, be applied towards repayment of the Group's borrowings, investment purposes, working capital and/or such other purposes as the Directors may deem fit.

Pending deployment for the uses identified above, the Net Proceeds may be deposited with banks and/or financial institutions or invested in money market instruments as the Directors may deem fit.

Irrevocable Undertakings and Underwriting

(i) Koh Kian Kiong, Chew Keng Keong, Yeo Teck Soon, John, Hoon Tai Meng, Heng Lee Seng, Maggie Koh, Chng Geok and Lim Kim Hong ("Undertaking Shareholders") who based on their direct and deemed shareholdings as at 17 June 2004 owns a total of 68,336,555 Shares, representing approximately 39.00% of the Existing Share Capital, have given to the Company irrevocable undertakings (the "Undertakings") to subscribe and/or procure subscribers for their respective Warrants entitlements under the Warrants Issue but in any event not less than a total of 13,667,311 Warrants ("the "Undertaken Warrants").

In view of the Undertakings, the Warrants Issue in respect of the Undertaken Warrants will not be underwritten by any financial institution.

(ii) The Underwriter will subscribe and/or procure subscriptions for any Warrants not taken up under the Warrants Issue, but excluding the Undertaken Warrants, provided that the total number of Underwritten Warrants shall not in any event exceed 28,391,219 Warrants.

Approvals

The Warrants Issue is subject to, *inter alia*, the approval of Shareholders at the EGM, the in-principle approval of the SGX-ST for the listing of and quotation for the Warrants and the New Shares on the SGX-ST and the lodgement of the Offer Information Statement with the Monetary Authority of Singapore.

The terms and conditions of the Warrants Issue are subject to such changes as the Directors, after consultation with ACA and the Underwriter, may deem fit. A circular to Shareholders setting out the terms of the Warrants Issue, and enclosing the notice of the EGM, will be dispatched to Shareholders in due course.

Financial Effects of the Warrants Issue

For illustrative purposes only, set out below is an analysis of the proforma financial effects of the Warrants Issue on the financial position of the Company and the Group based on the audited financial statements as at 31 December 2003.

(a) Share Capital

The effect of the Warrants Issue on the issued and paid-up share capital of the Company is set out below: -

	Assuming Minimum Warrants Issue		Assuming Maximum Warrants Issue	
	No. of Shares	S\$	No. of Shares	S\$
Issued and paid-up share capital	175,243,875 ⁽¹⁾	35,048,775	210,292,650	42,058,530
Add:				
New Shares assuming the exercise of all the Warrants	35,048,775	7,009,755	42,058,530	8,411,706
Enlarged issued share capital after the Warrants Issue and assuming the exercise of all the Warrants	210,292,650	42,058,530	252,351,180	50,470,236

Note:

(1) This figure is based on the issued and paid-up share capital of the Company of 175,243,875 Shares as at 17 June 2004.

(b) Net Tangible Assets

The effect of the Warrants Issue on the NTA and the NTA per share of the Company and the Group based on the audited financial statements as at 31 December 2003, is illustrated below: -

	Assuming Minimum Warrants Issue		Assuming Maximum Warrants Issue	
	Company	Group	Company	Group
NTA as at 31 December 2003 before adjusting for the Warrants Issue	46,201,972	47,975,014	46,201,972 ⁽³⁾	47,975,014 ⁽³⁾
Add: -				
Net proceeds of the Warrants Issue	2,403,902	2,403,902	2,964,682	2,964,682
NTA as at 31 December 2003 after adjusting for the Warrants Issue (before the exercise of any Warrants)	48,605,874	50,378,916	49,166,654 ⁽³⁾	50,939,696 ⁽³⁾
Add: -				
Net proceeds of the New Shares assuming exercise of all the Warrants pursuant to the Warrants Issue	7,710,731	7,710,731	9,252,877	9,252,877
NTA as at 31 December 2003 after adjusting for the Warrants Issue and assuming the exercise of all the Warrants	56,316,605	58,089,647	58,419,531 ⁽³⁾	60,192,573 ⁽³⁾

Before the Warrants Issue

Total number of Shares in issue ¹	175,243,875 ⁽¹⁾	175,243,875	210,292,650	210,292,650
NTA per share as at 31 December 2003 before adjusting for the Warrants Issue or exercise of any Warrants (cents)	26.36	27.38	21.97 ⁽³⁾	22.81 ⁽³⁾
After the Warrants Issue and before the exercise of all the Warrants				
Total number of Shares in issue ²	175,243,875	175,243,875	210,292,650	210,292,650
NTA per share as at 31 December 2003 after adjusting for the Warrants Issue but before the exercise of any Warrants (cents)	27.74	28.75	23.38 ⁽³⁾	24.22 ⁽³⁾
After the Warrants Issue and assuming the exercise of all the Warrants				
Total number of Shares in issue	210,292,650	210,292,650	252,351,180	252,351,180
NTA per share as at 31 December 2003 after adjusting for the Warrants Issue and assuming exercise of all the Warrants (cents)	26.78	27.62	23.15 ⁽³⁾	23.85 ⁽³⁾

Note: -

- (1) This figure is based on the issued and paid up share capital of the Company of 175,243,875 Shares as at 17 June 2004
- (2) Assuming no exercise of any Warrants
- (3) The financial effect of the shares placement exercise contemplated by the Company has not been taken into account as the number of shares and the share price in relation to such shares placement exercise have not been determined.

Upon exercise of the Warrants, the NTA of the Company and the Group will be increased by an amount equivalent to the aggregate value of the subscription monies received from the issue of the New Shares pursuant to such exercise of the Warrants. The effect on the NTA per share of the Company and the Group will depend on the then prevailing Exercise Price, the NTA before the exercise of the Warrants, the number of Warrants exercised, and the number of Shares then in issue.

(c) Earnings

The Warrants Issue is not expected to have any material effect on the earnings per Share ("EPS") of the Company or the Group. Upon exercise of the Warrants, the effect on the EPS of the Group will depend on, inter alia, the number of Warrants exercised

and the prevailing number of Shares in issue, the then prevailing EPS and the earnings or returns realized from the proceeds raised from the issue of the New Shares pursuant to the exercise of the Warrants.

(d) Gearing

The Warrants Issue is not expected to have any material effect on the gearing of the Company and the Group. Upon the exercise of the Warrants, the effect on gearing of the Company and the Group, will depend, inter alia, the gearing of the Company and the Group then prevailing, and the proceeds raised and the deployment of such proceeds from the exercise of the Warrants.

Responsibility Statement

The Directors of the Company (including those who may have been delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.