

**Full Year Financial Statement And Dividend Announcement for the Year Ended 31 December 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			S\$ ' 000		
	3 months ended	3 months ended		Year ended	Year ended	
	Dec 08	Dec 07	Change	Dec 08	Dec 07	Change
<b>Revenue</b>	67,502	38,630	74.74%	200,525	154,463	29.82%
<b>Cost of sales</b>	(49,674)	(28,396)	74.93%	(143,152)	(112,649)	27.08%
<b>Gross profit</b>	17,828	10,234	74.20%	57,373	41,814	37.21%
<b>Other income</b>	3,403	21,316	-84.04%	5,046	22,920	-77.98%
<b>Selling and Distribution costs</b>	(19,602)	(7,361)	166.30%	(32,713)	(16,773)	95.03%
<b>Administrative and General costs</b>	(4,671)	(5,050)	-7.50%	(18,243)	(12,802)	42.50%
<b>Finance costs</b>	(2,044)	(785)	160.38%	(4,873)	(2,693)	80.95%
<b>Share of results of associates</b>	(8)	864	-100.93%	668	801	-16.60%
<b>(Loss)/Profit before taxation and minority interest</b>	(5,094)	19,218	-126.51%	7,258	33,267	-78.18%
<b>Tax expense</b>	721	(1,203)	-159.93%	(3,410)	(4,058)	-15.97%
<b>(Loss)/Profit for the period/year</b>	(4,373)	18,015	-124.27%	3,848	29,209	-86.83%
<b>Attributable to:</b>						
<b>Equity holders of the parent</b>	(5,481)	17,670		1,259	27,157	
<b>Minority Interests</b>	1,108	345		2,589	2,052	
	(4,373)	18,015		3,848	29,209	
<b>Profit before taxation included the following charges(credit):</b>						
<b>Interest income</b>	(977)	(349)	179.94%	(1,804)	(1,484)	21.56%
<b>Interest on borrowings</b>	2,044	785	160.38%	4,873	2,693	80.95%

Depreciation and amortisation	1,752	1,053	66.38%	6,064	3,896	55.65%
Allowance for doubtful debts	751	1,728	-56.54%	415	2,404	-82.74%
Allowance for stock obsolescence	686	117	486.32%	836	267	213.11%
Foreign exchange loss	10,395	1,357	666.03%	14,169	942	1404.14%
(Gain)Loss on disposal in investment in associated companies	-	-	NM	(209)	37	-664.86%
Gain on dilution of interest in a subsidiary company	(1,414)	-	NM	(1,414)	-	NM
Loss on fair value adjustment on forward currency contracts	1,214	802	51.37%	5,302	1,291	310.69%

**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	
	Dec 08	Dec 07	Dec 08	Dec 07
<b>Non-current assets</b>				
Fixed assets	145,348	107,795	27	12
Subsidiary companies	-	-	62,330	46,181
Associated companies	10,768	9,196	9,058	8,560
Other investments	20	20	-	-
Lease payment receivables	21,231	-	-	-
Other receivables	1	1	-	-
Deferred tax assets	602	134	34	30
Other assets	846	-	-	-
Intangible assets	1,470	1,320	-	-
	180,286	118,466	71,449	54,783
<b>Current assets</b>				
Stocks and work-in-progress	44,483	33,801	-	-
Trade receivables	73,458	32,640	-	-
Other receivables	1,755	3,399	508	789
Advance payment to suppliers	8,148	3,067	-	-

	Group		Company	
	S\$ ' 000		S\$ ' 000	
	Dec 08	Dec 07	Dec 08	Dec 07
Prepayments and deposits	8,460	837	61	4
Lease payment receivables	726	-	-	-
Deferred expense	8,546	-	-	-
Amounts due from subsidiary companies	-	-	47,093	47,397
Amounts due from associated companies	5,063	5,095	2,199	2,158
Amounts due from related parties	17,214	8,350	-	-
Fixed deposits	1,144	22,310	250	6,274
Cash and bank balances	6,737	8,961	872	118
	175,734	118,460	50,983	56,740

#### Current liabilities

Trade payables	18,874	17,271	-	-
Other payables and accruals	9,698	9,860	1,969	4,411
Advances from customers	21,101	4,287	-	-
Deferred revenue	15	77	-	-
Amount due to subsidiary company	-	-	689	3,272
Amounts due to associated companies	228	379	-	2
Amounts due to related parties	2,467	1,917	-	1,905
Amounts due to bankers	66,884	28,198	17,298	-
Term loans	33,610	26,724	-	-
Hire purchase creditors	1,684	39	-	-
Derivative financial instruments	8,830	3,554	-	-
Provision for taxation	4,869	3,275	754	303
	168,260	95,581	20,710	9,893

#### Net current assets

	7,474	22,879	30,273	46,847
--	-------	--------	--------	--------

#### Non-current liabilities

Term loans	63,637	19,654	-	-
Hire purchase creditors	2,935	86	-	-
Provisions	81	-	-	-
Deferred tax liabilities	253	238	-	-
	66,906	19,978	-	-

	Group		Company	
	S\$ ' 000		S\$ ' 000	
	Dec 08	Dec 07	Dec 08	Dec 07
<b>Net assets</b>	120,854	121,367	101,722	101,630
<b>Equity attributable to equity holders of the Company</b>				
Share capital	79,208	79,208	79,208	79,208
Foreign currency translation reserve	(1,136)	(1,612)	-	-
Capital reserve	2,773	2,773	-	-
Revaluation reserve	1,030	1,030	-	-
Hedging reserve	(352)	(377)	-	-
Revenue reserves	27,771	31,549	22,514	22,422
	109,294	112,571	101,722	101,630
<b>Minority interests</b>	11,560	8,796	-	-
<b>Total equity</b>	120,854	121,367	101,722	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 December 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
55,862	46,316	51,224	3,737

**Amount repayable after one year**

As at 31 December 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
64,709	1,863	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, co-generation plant and land rig.

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

	<b>Sep- Dec 2008</b>	<b>Sep- Dec 2007</b>	<b>Jan- Dec 2008</b>	<b>Jan- Dec 2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities:</b>				
Operating (loss)/profit before taxation	(5,094)	19,218	7,258	33,267
Add / (Less) :				
Amortisation of intangible assets	27	(26)	122	64
Amortisation of other assets	77	-	77	-
Write off of negative goodwill	(138)	-	(138)	-
Currency realignment	1,064	426	2,602	1,822
Depreciation of fixed assets	1,648	1,079	5,865	3,832
Loss on fixed assets written off	36	-	36	-
Gain on disposal of investment in subsidiary company	-	(16,630)	-	(16,630)
Gain on dilution of interest in subsidiary company	(1,414)	-	(1,414)	-
Loss on fair value adjustment of forward currency contracts	1,214	802	5,302	1,291
Loss on disposal of investment in other investment	-	-	56	-
Gain on disposal in investment in associated companies	-	-	(209)	37
(Gain)/loss on disposal of fixed assets	(4)	37	(57)	56
Interest income	(977)	(349)	(1,804)	(1,484)
Interest expense	2,044	785	4,873	2,693
Impairment loss of investment in associated company	-	99	-	211
Impairment loss of an other investment	-	-	-	76
Allowance for doubtful debts	751	1,728	415	2,404
Bad debts written off	64	210	64	210
Allowance for stock obsolescence	686	117	836	267
Stocks written off	-	9	-	9
Share of associated companies' loss/(gain)	8	(864)	(668)	(801)
<b>Operating (loss)/income before reinvestment in working capital</b>	<b>(8)</b>	<b>6,641</b>	<b>23,216</b>	<b>27,324</b>
Inflow / (Outflow) :				
(Increase)/decrease in stocks and work-in-progress	(2,122)	3,219	(11,517)	(9,685)
Increase in trade receivables	(26,736)	(4,064)	(41,297)	(5,584)

Decrease in lease payment receivables	163	-	610	-
Decrease/(increase) in other receivables	561	13,592	1,645	(2,761)
Decrease/(increase) in advance payments to suppliers	6,475	(1,809)	(5,081)	3,425
Decrease/(increase) in prepayments and deposits	223	190	(7,882)	4
(Increase)/decrease in deferred expenses	(4,557)	92	(8,219)	-
Decrease in project in progress	2,050	-	-	-
(Increase)/decrease in amounts due from associated companies	(237)	139	(85)	(1,949)
Decrease in amounts due from related parties	(10,455)	(8,266)	(8,864)	(8,237)
Increase in trade payables	7,371	5,307	1,602	5,337
(Decrease)/increase in other payables	(3,310)	1,247	(162)	6,332
Increase/(decrease) in advances from customers	19,123	2,909	16,814	(5,262)
(Decrease)/increase in trust receipts and bills payable	(5,481)	6,577	33,669	20,100
(Decrease)/increase in deferred revenue	(435)	77	(62)	(3,750)
Increase/(decrease) in amounts due to associated companies	23	(42)	(151)	107
(Decrease)/increase in amounts due to related parties	(273)	1,917	550	1,917
Increase in provisions	81	-	81	-
<b>Cash (used in)/generated from operations</b>	<b>(17,544)</b>	<b>27,726</b>	<b>(5,133)</b>	<b>27,318</b>
Income taxes paid	(335)	(268)	(2,250)	(2,902)
Interest received	893	259	1,920	1,394
Interest paid	(2,043)	(785)	(4,873)	(2,693)
<b>Net cash (used in)/generated from operating activities</b>	<b>(19,029)</b>	<b>26,932</b>	<b>(10,336)</b>	<b>23,117</b>
<b>Cash flows from investing activities</b>				
Inflow / (Outflow) :				
(Decrease)/increase in fixed deposit pledged	-	(8,381)	8,381	(1,160)
Purchase of fixed assets	(16,886)	(57,615)	(68,470)	(63,729)
Proceeds from disposal of investment in associated companies	-	-	2,526	1,121
Proceeds from disposal of investment in subsidiary company	-	16,665	-	-
Proceeds from sale of fixed assets	4	-	407	7
Net cash outflow on disposal of a subsidiary company	-	-	-	16,665
Net cash and cash equivalents from acquisition of subsidiary company	-	1	-	1
(Decrease)/increase in intangible assets	(3)	17	(3)	(125)
Purchase of other assets	(923)	-	(923)	-
Investment in associated companies	-	-	(3,403)	(490)

<b>Net cash used in investing activities</b>	<b>(17,808)</b>	<b>(49,313)</b>	<b>(61,485)</b>	<b>(47,710)</b>
<b>Cash flows from financing activities</b>				
Inflow / (Outflow) :				
Dividend payment in respect of prior year	-	(3)	(5,037)	(21,412)
Dividends of subsidiary paid to minority interests	(234)	-	(234)	-
Increase/(decrease) in secured bank overdrafts	4,191	(150)	1,243	(382)
Proceeds from issuance of shares	-	523	-	21,930
Expenses on issuance of shares	-	(11)	-	(222)
Proceeds from/(repayments of) hire purchase financing	(419)	32	4,493	(2)
Proceeds from additional term loans	14,627	18,680	50,869	15,280
Capital contribution from minority shareholders of subsidiary companies	1,702	-	1,702	-
<b>Net cash provided by financing activities</b>	<b>19,867</b>	<b>19,071</b>	<b>53,036</b>	<b>15,192</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(16,970)</b>	<b>(3,310)</b>	<b>(18,785)</b>	<b>(9,401)</b>
Cash and cash equivalents at beginning of period/year	21,074	26,199	22,889	32,290
Cash and cash equivalents at end of period/year	4,104	22,889	4,104	22,889

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the balance sheet date:

	<b><u>31 Dec 2008</u></b>	<b><u>31 Dec 2007</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and short term deposits	7,881	22,892
	7,881	22,892
Bank overdrafts (unsecured)	(3,777)	(3)
Cash and cash equivalents	<u>4,104</u>	<u>22,889</u>

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 parent							Minority interests	Total equity	
	Share capital	Warrants reserve	Revenue reserves	Foreign currency translation reserve	Capital reserve	Revaluation reserve	Hedging Reserve			Total reserves
	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	-	-	-	-	-	-	(126)	(126)	-	(126)
Net effect of exchange differences	-	-	-	(494)	-	-	-	(494)	(241)	(735)
Net surplus on revaluation of assets	-	-	-	-	-	850	-	850	-	850
Net income and expenses recognised directly in equity	-	-	-	(494)	-	850	(126)	230	(241)	(11)
Profit for the year	-	-	27,157	-	-	-	-	27,157	2,052	29,209
Total recognised income and expenses for the year	-	-	27,157	(494)	-	850	(126)	27,387	1,811	29,198
Dividends on ordinary shares	-	-	(21,409)	-	-	-	-	(21,409)	(3)	(21,412)
Issuance of shares	21,930	-	-	-	-	-	-	-	-	21,930
Transfer from warrants reserve as a result of exercise of warrants	1,262	(1,262)	-	-	-	-	-	(1,262)	-	-
Expenses on issuance of shares	(222)	-	-	-	-	-	-	-	-	(222)
<b>Balance as at 31 December 2007</b>	<b>79,208</b>	<b>-</b>	<b>31,549</b>	<b>(1,612)</b>	<b>2,773</b>	<b>1,030</b>	<b>(377)</b>	<b>33,363</b>	<b>8,796</b>	<b>121,367</b>



	Attributable to the equity holders of the parent								
	Share capital	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
<b>The Group</b>									
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	-	-	476	-	-	-	476	259	735
Net change in fair value adjustment reserve	-	-	-	-	-	25	25	-	25
Net income and expenses recognised directly in equity	-	-	476	-	-	25	501	259	760
Profit for the year	-	1,259	-	-	-	-	1,259	2,589	3,848
Total recognised income for the year	-	1,259	476	-	-	25	1,760	2,848	4,608
Increase in interest in a subsidiary company	-	-	-	-	-	-	-	(138)	(138)
Gain on dilution of interest in a subsidiary company	-	-	-	-	-	-	-	(1,414)	(1,414)
Dividends on ordinary shares	-	(5,037)	-	-	-	-	(5,037)	-	(5,037)
Dividends of subsidiaries paid to minority interests	-	-	-	-	-	-	-	(234)	(234)
Capital contribution from minority shareholders	-	-	-	-	-	-	-	1,702	1,702
<b>Balance as at 31 December 2008</b>	<b>79,208</b>	<b>27,771</b>	<b>(1,136)</b>	<b>2,773</b>	<b>1,030</b>	<b>(352)</b>	<b>30,086</b>	<b>11,560</b>	<b>120,854</b>

## 1(d)(i)

	Attributable to the equity holders of the company				Total equity
	Share capital	Warrants reserve	Revenue reserves	Total reserves	
	S\$'000	S\$'000	S\$'000	S\$'000	
<b>The Company</b>					
Balance as at 1 January 2007	56,238	1,262	26,622	27,884	84,122
Profit for the year	-	-	17,209	17,209	17,209
Total recognised income for the year	-	-	17,209	17,209	17,209
Dividends on ordinary shares	-	-	(21,409)	(21,409)	(21,409)
Issuance of shares	21,930	-	-	-	21,930
Transfer from warrants reserve as a result of exercise of warrants	1,262	(1,262)	-	(1,262)	-
Expenses on issuance of shares	(222)	-	-	-	(222)
<b>Balance as at 31 December 2007</b>	<b>79,208</b>	<b>-</b>	<b>22,422</b>	<b>22,422</b>	<b>101,630</b>
Balance as at 1 January 2008	79,208	-	22,422	22,422	101,630
Profit for the year	-	-	5,129	5,129	5,129
Total recognised income for the year	-	-	5,129	5,129	5,129
Dividends on ordinary shares	-	-	(5,037)	(5,037)	(5,037)
<b>Balance as at 31 December 2008</b>	<b>79,208</b>	<b>-</b>	<b>22,514</b>	<b>22,514</b>	<b>101,722</b>

**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.**

	Dec 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	
	Dec 08	Dec 07
(i) Based on the weighted average number of ordinary shares on issue	0.40 cents	8.96 cents
(ii) On a fully diluted basis	0.40 cents	8.96 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	
	Dec 08	Dec 07	Dec 08	Dec 07
Net asset value per ordinary share as at the end of year	34.72 cents	35.76 cents	32.31 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.

**Fourth Quarter Ended 31 December 2008 ("4Q08") vs Fourth Quarter Ended 31 December 2007 ("4Q07")**

Group revenue for 4Q08 improved by 74.9% to \$67.5 million from \$38.6 million in 4Q07. The increase in revenue in 4Q08 over 4Q07 was attributable to two main factors, namely: the continued demand for drilling materials and products such as casings and tubings and the new projects that commenced during the year such as Banyan Utilities Pte Ltd's ("Banyan Utilities") co-generation plant, the chartering of Federal II, the Group's second FSO vessel and the first delivery of coal by subsidiary Alton International Resources Pte Ltd ("AIR") in 4Q08.

In line with the increase in business activities, cost of sales also increased. Nevertheless, gross profit improved by 74.5% from \$10.2 million in 4Q07 to \$17.8 million in 4Q08.

Other income for 4Q08 registered \$3.4 million compared to \$21.3 million in 4Q07 which included a one-off gain made from the divestment of its shareholdings in HP&T Products, Inc in FY2007.

Selling and distribution costs increased from \$7.3 million in 4Q07 to \$19.6 million in 4Q08 due to a higher foreign exchange loss and increased manpower costs and professional fees in 4Q08 incurred by new subsidiaries and offices which were set up during the year. These subsidiaries include FEE Water (China-PZH) Ltd and Federal Environmental (Panzhuhua) Co., Ltd. ("FE PZH") which were set up to undertake the BOO waste water treatment project in China clinched by the consortium of Federal Environmental & Energy Pte. Ltd. and IESE Water (Asia) Pte Ltd.

Increase in selling and distribution costs was also in line with operating expenses relating to increased business activities in the Trading, Marine Logistics and Resources business segments. Also, the allowances for doubtful debts and stock obsolescence which were being assessed at year end were recorded in 4Q08.

In 4Q08, there was a gain on dilution of interest in a subsidiary company of \$1.4 million due to issuance of new shares to a minority interest.

Finance costs in 4Q08 increased from \$0.8 million in 4Q07 to \$2.0 million due to increased borrowings to finance the Group's acquisition of fixed assets such as Federal II, property for use as business premises by Alton International (S) Pte Ltd ("Alton") and purchase of bulk equipment, vehicles and plant and machinery such as the land rig and co-generation plant for the Group's secured projects.

### **Review of Year To Date Financial Performance:**

#### **12 Months Ended 31 September 2008 ("FY2008") vs 12 Months Ended 31 December 2007 ("FY2007")**

Group Revenue for FY2008 increased 29.8% from \$154.5 million in FY2007 to \$200.5 million, due to an overall improvement in its various business segments, namely, Trading, Marine Logistics, Energy and Utilities and Resources. In FY2008, the Marine Logistics segment saw a full year contribution from FSO vessel Federal II (which started charter in December 2007). The Energy and Utilities segment comprised Banyan Utilities' co-generation plant, while the Resources segment included the first delivery of coal by subsidiary AIR in the last quarter of FY2008.

In line with the increased business activities, cost of sales increased 27.2% from \$112.6 million in FY2007 to \$143.2 million in FY2008. Gross Profit improved by 37.3% from \$41.8 million in FY2007 to \$57.4 million in FY2008.

Other income in FY2008 registered \$5.0 million, compared to \$22.9 million in FY2007, which was due primarily to a one-off gain of \$16.6 million from the Company's divestment of its shareholdings in HP&T Products, Inc, as explained in the preceding paragraphs.

Selling and distribution costs for FY2008 increased from \$16.8 million in FY2007 to \$32.7 million in FY2008, as a result of increased foreign exchange losses of \$14.0 million arising from a stronger US Dollar as well as higher manpower costs, depreciation costs for fixed assets and allowances for stock obsolescence and professional fees due to subsidiaries and offices set up in FY2008 for the Group's various Build-Own-Operate ("BOO"), Integrated Project Management and pipeline projects in geographical markets such as China, Indonesia and Singapore.

Administrative and General costs for FY2008 increased from \$12.8 million in FY2007 to \$18.2 million, as a result of depreciation costs and manpower costs incurred along with the set-up of subsidiaries and offices, and losses on fair value adjustments in forward currency contracts.

Ernst & Young LLP has been appointed by the Audit Committee to review and advise on all forward currency contracts entered into by the Group and potential future exposure.

Finance costs increased from \$2.7 million in FY2007 to \$4.9 million in FY2008 as a result of interest expenses incurred for financing the Group's acquisition of fixed assets and the purchase of bulk equipment, vehicles and plant and machinery such as the land rig, co-generation plant and waste water treatment plant to support the Group's projects, as previous explained in 4Q08.

The Group's share of results of associates decreased slightly from \$0.8 million in FY2007 to \$0.7 million in FY2008 as the Group made provision for corporate taxes for associated companies at the end of the year.

Net profit for FY2008 decreased substantially as compared to FY2007 due primarily to the following reasons:

- Higher foreign exchanges losses on the fair value adjustment of forward currency contracts and higher realized and unrealized exchange losses in closing up the contracts upon maturity and revaluation of foreign currency balances respectively
- Higher operating expenses incurred in 4Q08 as a result of setting up of offices of new subsidiaries to undertake the respective projects in China, Indonesia and Singapore
- Higher finance costs in connection with the drawdown of the term loans for the equipment, plant and machinery for projects undertaken.

### **Review of Balance Sheet**

Total non-current assets for FY2008 stood at \$180.3 million compared to \$118.5 million in FY2007. The increase in non-current assets was mainly a result of increases in fixed assets, associated companies, and lease payment receivables.

Fixed assets increased to \$145.3 million in FY2008 from \$107.8 million in FY2007. Fixed assets include subsidiary Alton's land rig which was acquired in April 2008, construction-in-progress for the BOO waste water treatment project in China and two BOO power plants in Indonesia by subsidiaries PT Mega Federal Energy and PT Gasuma Federal Indonesia, which are offset by the reversal of the Banyan Utilities co-generation plant.

Lease payment receivables registered \$21.2 million in FY2008 due to the Build-Own-Transfer project relating to Banyan Utilities' co-generation plant that was previously accounted as construction-in-progress under fixed assets.

Total current assets for FY2008 stood at \$175.7 million compared to \$118.5 million in FY2007. The increase was due to higher stocks and work-in-progress, trade receivables, advance payment to suppliers, prepayments and deposits, lease payment receivables, deferred expense and amount due from related parties offset by decreases in fixed deposits and cash and cash balances.

Stocks and work-in-progress increased as the Group increased stock levels in anticipation of long lead time to delivery due to high demand and rising raw material costs and confirmed orders expected to deliver in 1Q09. Trade receivables increased from \$32.6 million in FY2007 to \$73.5 million in FY2008 due mainly to higher sales in 4Q08, longer credit terms extended to new strategic partners for strategic markets and advanced billing for the supply of linepipe project in Algeria. Total receipts of approximately \$34.0 million which included the advanced billing were collected subsequent to year ended 31 December 2008.

Advance payment to suppliers for FY2008 increased to \$8.1 million from \$3.1 million in FY2007, due to an overall increase in business activities in Indonesia where down-payment for goods and services were required, as well as, progressive payments made for the two BOO power plant projects in Indonesia.

Prepayment and deposits increased from \$0.8 million in FY2007 to \$8.5 million in FY2008 as a result of deposits paid for the acquisition of anchor handling tugs by Federal Offshore Services Pte Ltd and tugboats by Federal Energi Pte Ltd. The expected delivery for the anchor handling tugs and tugboats is between 1Q09 and 1Q10.

Deferred expense of \$8.5 million under total current assets in FY2008 were incurred for projects undertaken with progressive billing arrangements.

Amounts due from related parties increased significantly from \$8.4 million in FY2007 to \$17.2 million in FY2008 as a result of increased business activities with related parties for the procurement activities of drilling and casing.

In tandem with the increase in payouts for advances to suppliers and deferred expenses in relation to procurement, power plant projects and deposits for the Group's Marine Logistics vessels, fixed deposits and cash balances decreased by \$23.4 million.

#### **Current liabilities and non current liabilities**

Total current and non current liabilities amounted to \$235.2 million in FY2008 compared to \$115.6 million in FY2007. The increase in liabilities is due mainly to advances from customers, amounts due to bankers, term loans (current and non current) and derivative financial instruments.

Increase in advances from customers to \$21.1 million in FY2008 from \$4.3 million in FY2007 was mainly due to the US\$64.4 million Algerian linepipe project secured by subsidiary company, Federal Hardware Engineering Co Pte Ltd .

Total borrowings which include term loans and amounts due to bankers, increased from \$74.6 million in FY2007 to \$164.1 million in FY2008 as a result of financing required the following projects:

- Alton's 1,200 HP land rig
- BOO project for installation of 6" x 40 km oil pipeline
- Investment in Banyan Utilities' co-generation plant
- Investment in FE PZH's waste water treatment project; and
- Investment in FSO vessel Federal II

Hire purchase creditors also increased from \$0.1 million in FY2007 to \$4.6 million in FY2008 as a result of hire purchase of bulk equipment and vehicles required to carry out logistical aspects of the coal contract secured by AIR.

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

The results are in line with the profit warning statement made on 23 February 2009.

#### **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.**

While the global economic slowdown has impacted all industries across the board, the management believes that despite the economic uncertainty, there are still opportunities which the Group can harness that will continue to drive business growth.

Most of the Group's projects which commenced in 2008 have been progressing. Some of them, including the land rig charter, the Indonesian power plant projects and the procurement activities undertaken by Geo Link Nusantara Pte Ltd and the recently announced Algerian line-pipe project will be generating revenues for the first half of FY2009.

The management is aggressively pursuing business opportunities in its core businesses, namely, the Trading and Marine Logistics segments in new strategic geographical markets such as Africa and the Middle East. While the management recognizes challenges such as credit tightness in the current business environment, it will exercise prudence in its cash flow management and raise the necessary funding in the equity and debt market, if necessary, so that the Group will have the resources to participate in new business projects as and when they present themselves.

## 11. Dividend

### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

Name of Dividend	Final
Dividend Type	Cash/Share Scrip *
Dividend Rate	0.5 cents per ordinary share

\* It is intended that the proposed Federal Scrip Dividend Scheme ("FSDS"), whereby shareholders entitled to dividends may elect to receive either cash or an allotment of ordinary shares in the Company credited as fully paid in lieu of cash, will be applicable to this final dividend.

The implementation of the proposed FSDS will only take place following the receipt of all relevant approval and clearances, including from applicable authorities.

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	0.8 cents per ordinary share

Name of Dividend	Special
Dividend Type	Cash
Dividend Rate	0.8 cents per ordinary share

**(c) Date payable**  
To be advised.

**(d) Books closure date**  
To be advised.

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

NA



PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

	Trading		Manufacturingng /Design		Marine Logistics		Energy & Utilities		Resources		Corporate /others		Eliminations		CONSOLIDATED	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>REVENUE</b>																
External sales	161,783	128,501	4,390	13,463	18,662	12,462	10,054	-	5,514	-	122	37	-	-	200,525	154,463
Inter-segment sales	1,378	19	20,004	13,863	-	-	-	-	-	-	5,635	3,787	(27,017)	(17,669)	-	-
<b>Total revenue</b>	<b>163,161</b>	<b>128,520</b>	<b>24,394</b>	<b>27,326</b>	<b>18,662</b>	<b>12,462</b>	<b>10,054</b>	<b>-</b>	<b>5,514</b>	<b>-</b>	<b>5,757</b>	<b>3,824</b>	<b>(27,017)</b>	<b>(17,669)</b>	<b>200,525</b>	<b>154,463</b>
<b>RESULT</b>																
Segment result	(1,178)	8,750	2,466	5,654	4,606	4,620	2,538	-	691	-	3,168	929	(4,199)	(2,871)	8,092	17,082
Interest income															1,804	1,484
Finance cost															(4,873)	(2,693)
Unallocated revenue															1,567	16,593
Unallocated expenses															-	-
Share of results of associates															668	801
Profit before taxation															7,258	33,267
Tax expense															(3,410)	(4,058)
<b>Profit for the year</b>															<b>3,848</b>	<b>29,209</b>

13.

China	Indonesia	Malaysia	Singapore	Thailand	USA	UK	UAE	India	Korea	Others	Elimination	Total
2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000

**Segment Revenue**

<b>External sales</b>	12,228	70,979	6,744	64,242	7,409	8,016	1,273	8,817	5,310	5,517	9,990	-	200,525
<b>Inter-segment sales</b>	2,928	675	-	58,131	688	-	-	-	-	-	-	(62,422)	-
<b>Total revenue</b>	15,156	71,654	6,744	122,373	8,097	8,016	1,273	8,817	5,310	5,517	9,990	(62,422)	200,525

China	Indonesia	Malaysia	Singapore	Thailand	USA	UK	UAE	India	Korea	Others	Elimination	Total
2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000

**Segment Revenue**

<b>External sales</b>	13,510	27,204	19,324	37,071	2,994	9,697	3,663	29,107	1,113	835	9,945	-	154,463
<b>Inter-segment sales</b>	-	106	-	22,410	328	1,159	18	-	-	-	-	(24,021)	-
<b>Total revenue</b>	13,510	27,310	19,324	59,481	3,322	10,856	3,681	29,107	1,113	835	9,945	(24,021)	154,463

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

NA

**15. A breakdown of sales.**

	<-----Group----->		
	S\$ ' 000		%
	2008	2007	Change
Sales reported for the first half year	90,881	90,304	0.64%
Operating profit after tax before deducting minority interests reported for the first half year	6,556	8,909	-26.41%
Sales reported for the second half year	109,644	64,159	70.89%
Operating (loss)/profit after tax before deducting minority interests reported for the second half year	(2,708)	20,300	-113.34%

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	Latest Full Year (S\$)	Previous Full Year (S\$)
Ordinary	1,574,117	5,037,173
Preference	-	-
Total:	1,574,117	5,037,173

**BY ORDER OF THE BOARD**

**Koh Kian Kiong**  
Executive Chairman & CEO  
Director

**Chng Geok**  
CFO  
Director

**28 February 2009**