



**FEDERAL INTERNATIONAL (2000) LTD**  
Incorporated in the Republic of Singapore  
Registration No. 199907113K

**Unaudited Financial Statements and Dividend Announcement for  
the First Quarter ended  
31 March 2015**

6 May 2015

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Readers are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

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Incorporated in the Republic of Singapore  
Company Registration No. 199907113K

## **First Quarter Financial Year 2015 Financial Statements and Dividend Announcement**

### **PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS**

1(a) A statement of consolidated comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

#### **UNAUDITED RESULTS FOR THE FIRST QUARTER ("1QFY2015")**

		Group		
		3 Months Ended		Changes
		31.03.15	31.03.14	
		S\$'000	S\$'000	%
<b>INCOME STATEMENT</b>				
Revenue		57,491	22,034	160.9
Cost of sales		(34,596)	(17,133)	101.9
<b>Gross profit</b>		<b>22,895</b>	<b>4,901</b>	<b>367.1</b>
<b>Gross profit margin</b>		<b>39.8%</b>	<b>22.2%</b>	
Other operating income	(i)	1,072	4,137	(74.1)
Selling and distribution costs		(2,289)	(1,877)	21.9
Administrative and general costs		(3,092)	(2,181)	41.8
Other operating expenses	(ii)	(42)	90	(146.7)
Finance costs	(iii)	(336)	(856)	(60.7)
Share of results of associates		(23)	85	(127.1)
Profit before tax	(iv)	18,185	4,299	323.0
Income tax (expense)/credit		(2,194)	58	N.M.
<b>Profit for the period</b>		<b>15,991</b>	<b>4,357</b>	<b>267.0</b>
<b>Attributable to:</b>				
Owners of the Company		15,991	2,912	449.1
Non-controlling interests		–	1,445	N.M.
		<b>15,991</b>	<b>4,357</b>	<b>267.0</b>

**N.M. – Not Meaningful**

		Group		
		3 Months Ended		Changes
		31.03.15 S\$'000	31.03.14 S\$'000	
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
Profit net of tax		15,991	4,357	267.0
<b>Other comprehensive income:</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Foreign currency translation represents other comprehensive income for the period, net of tax		(236)	(192)	22.9
Share of other comprehensive income of an associate		(1)	1	(200.0)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(237)</b>	<b>(191)</b>	<b>24.1</b>
<b>Total comprehensive income for the period</b>		<b>15,754</b>	<b>4,166</b>	<b>278.2</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company		15,664	2,981	425.5
Non-controlling interests		90	1,185	(92.4)
		<b>15,754</b>	<b>4,166</b>	<b>278.2</b>

**N.M. – Not Meaningful**

**Notes:**

1(a)(i) Other operating income includes the following:

	<b>3 Months Ended</b>	
	<b>31.03.15</b>	<b>31.03.14</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Foreign exchange gain	833	325
Gain on disposal of assets held for sale	—	3,581
Implicit interest income	1	42
Interest income	22	9
Other income	216	180
	<b>1,072</b>	<b>4,137</b>

1(a)(ii) Other operating expenses include the following:

	<b>3 Months Ended</b>	
	<b>31.03.15</b>	<b>31.03.14</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Impairment loss on doubtful receivables	3	41
Loss on disposal of derivatives	84	—
Write back of allowance for slow moving inventories	(33)	—
Write back of impairment loss on doubtful receivables	(12)	(131)
	<b>42</b>	<b>(90)</b>

1(a)(iii) Finance costs include the following:

	<b>3 Months Ended</b>	
	<b>31.03.15</b>	<b>31.03.14</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Interest expense on:		
- Bank overdrafts	35	14
- Hire purchase	1	2
- Term loans	160	731
- Trust receipts	140	109
	<b>336</b>	<b>856</b>

1(a)(iv) Profit before tax is arrived at after charging the following:

	<b>3 Months Ended</b>	
	<b>31.03.15</b>	<b>31.03.14</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Depreciation	492	497

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

	Group		Company	
	As At 31.03.15	As At 31.12.14	As At 31.03.15	As At 31.12.14
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	36,750	37,279	6	7
Investment in subsidiaries	—	—	79,769	79,779
Investment in associates	2,917	2,749	868	868
Intangible assets	1	1	—	—
Other investment	20	20	—	—
Other receivables	69	65	—	—
Amount due from a related party	6,376	6,141	—	—
Financial receivables	1,906	2,037	—	—
Deferred tax assets	84	90	22	22
	<b>48,123</b>	<b>48,382</b>	<b>80,665</b>	<b>80,676</b>
<b>Current assets</b>				
Inventories	22,914	26,405	—	—
Trade and other receivables	56,860	36,075	1	9
Gross amount due from customer for work-in-progress	378	298	—	—
Advance payment to suppliers	2,260	12,483	—	—
Prepayments	202	287	23	13
Deposits	184	175	4	4
Financial receivables	739	708	—	—
Amounts due from subsidiaries	—	—	6,697	6,566
Amounts due from associates	5,098	4,176	36	24
Fixed deposits	1,880	2,207	1,404	1,352
Cash and bank balances	15,279	14,292	391	134
	<b>105,794</b>	<b>97,106</b>	<b>8,556</b>	<b>8,102</b>
<b>Current liabilities</b>				
Trade and other payables	37,673	42,612	2,250	2,060
Advance payment from customers	2,001	3,770	—	—
Deferred revenue	—	10	—	—
Gross amount due to customer for work-in-progress	114	27	—	—
Amounts due to subsidiaries	—	—	1,251	1,223
Amounts due to associates	866	841	852	822
Amount due to a related party	2,277	2,101	—	—
Amounts due to bankers	27,000	29,682	—	—
Term loans	10,869	11,309	—	—
Hire purchase creditors	25	37	—	—
Derivatives	—	753	—	—
Provision for income tax	7,058	4,264	254	306
	<b>87,883</b>	<b>95,406</b>	<b>4,607</b>	<b>4,411</b>
<b>Net current assets</b>	<b>17,911</b>	<b>1,700</b>	<b>3,949</b>	<b>3,691</b>
<b>Non-current liabilities</b>				
Term loans	205	272	—	—
Amount due to a subsidiary	—	—	9,564	9,211
Provision for post-employment benefits	5	5	—	—
Deferred tax liabilities	2,531	2,531	—	—
	<b>2,741</b>	<b>2,808</b>	<b>9,564</b>	<b>9,211</b>
<b>Net assets</b>	<b>63,293</b>	<b>47,274</b>	<b>75,050</b>	<b>75,156</b>

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative-statement as at the end of the immediately preceding financial year. – cont'd**

	Group		Company	
	As At 31.03.15	As At 31.12.14	As At 31.03.15	As At 31.12.14
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Equity attributable to owners of the Company</b>				
Share capital	144,099	144,099	144,099	144,099
Foreign currency translation reserve	(4,893)	(4,567)	–	–
Capital reserve	2,778	2,778	–	–
Revaluation reserve	16,598	16,598	–	–
Other reserves	(977)	(976)	–	–
Accumulated losses	(81,641)	(97,632)	(69,049)	(68,943)
Non-controlling interests	75,964	60,300	75,050	75,156
<b>Total equity</b>	<b>63,293</b>	<b>47,274</b>	<b>75,050</b>	<b>75,156</b>

**1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, please specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:**

**Amount repayable in one year or less, or on demand**

As at 31.03.15 S\$'000		As at 31.12.14 S\$'000	
Secured	Unsecured	Secured	Unsecured
37,892	2	41,024	4

**Amount repayable after one year**

As at 31.03.15 S\$'000		As at 31.12.14 S\$'000	
Secured	Unsecured	Secured	Unsecured
205	-	272	-

**Details of any collaterals**

The Group's secured borrowings comprise bank overdrafts, hire purchase creditors, trust receipts and term loans.

The Group's term loans, overdrafts and trust receipts (collectively known as "**Amounts due to Bankers**") are secured on:

- (i) Subsidiaries' properties located at 47 and 49 Genting Road, Singapore 349489, at 11 Tuas Avenue 1, Singapore 639496, and at 12 Chin Bee Drive, Singapore 619868;
- (ii) Bank deposits pledged by the Company and its subsidiaries;
- (iii) Corporate guarantee by the Company;
- (iv) Personal guarantee by a director of a subsidiary; and
- (v) Subsidiary's inventories.

The Group's hire purchases are secured over mortgages on plant and machinery and motor vehicles of certain subsidiaries.

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

	<b>Group</b>	
	<b>For 3 Months Ended</b>	
	<b>31.03.15</b>	<b>31.03.14</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities:</b>		
Profit before tax	18,185	4,299
Adjustments for:		
Depreciation of property, plant and equipment	492	497
Gain on disposal of assets held for sale (Note A)	—	(3,581)
Implicit interest income	(1)	(42)
Interest expense	336	856
Interest income	(22)	(9)
Loss on disposal of derivatives	84	—
Share of results of associates	23	(85)
Share of other comprehensive income of an associate	1	(1)
Exchange loss	215	69
<b>Operating cash flows before changes in working capital</b>	<b>19,313</b>	<b>2,003</b>
(Increase)/decrease in:		
Inventories	3,491	(1,691)
Trade and other receivables	(19,076)	5,522
Gross amount due from customer for work-in-progress	(80)	(30)
Financial receivables	215	50
Advance payment to suppliers	10,225	(10,525)
Prepayments	63	(171)
Deposits	(3)	(2)
Amounts due from associates	63	40
(Decrease)/increase in:		
Trade and other payables	(2,117)	(7)
Bills receivables purchase	—	10,308
Gross amount due to customer for work-in-progress	87	—
Advance payment from customers	(1,778)	(771)
Deferred revenue	(10)	(20)
Amounts due to associates	25	(90)
Amount due a related party	85	(20)
Derivatives	(838)	—
<b>Cash flows generated from operations</b>	<b>9,665</b>	<b>4,596</b>
Income tax paid	(630)	(2,012)
<b>Net cash generated from operating activities</b>	<b>9,035</b>	<b>2,584</b>
<b>Cash flows from investing activities:</b>		
Interest income received	21	8
Investment in an associate company	(78)	—
Payments made to suppliers for conversion of a vessel	(3,821)	(2,411)
Purchase of property, plant and equipment	(89)	(112)
Proceeds from disposal of assets held for sale, net of cash disposed of (Note A)	—	(426)
Shareholder's loans to an associate	(823)	—
<b>Net cash used in investing activities</b>	<b>(4,790)</b>	<b>(2,941)</b>



	<b>Group</b>	
	<b>For 3 Months Ended</b>	
	<b>31.03.15</b>	<b>31.03.14</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from financing activities:</b>		
Interest expense paid	(267)	(494)
Capital contribution from non-controlling interest of a subsidiary company	265	–
Proceeds from secured bank overdrafts	2,198	2,185
Repayment of hire obligations under purchase – net	(11)	(11)
Drawdown of term loans	1,979	6,840
Repayment of term loans	(2,579)	(7,140)
Increase in pledged deposits	532	(972)
Decrease in trust receipts	(5,639)	(5,981)
<b>Net cash used in from financing activities</b>	<b>(3,522)</b>	<b>(5,573)</b>
Net increase/(decrease) in cash and cash equivalents	723	(5,930)
Effect of exchange rate changes on cash and cash equivalents	403	(74)
Cash and cash equivalents at beginning of period	14,350	19,775
<b>Cash and cash equivalents at end of period</b>	<b>15,476</b>	<b>13,771</b>

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

	<b>Group</b>	
	<b>For 3 Months Ended</b>	
	<b>31.03.15</b>	<b>31.03.14</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash and cash equivalents at the end of the period:</b>		
Cash and bank balances and fixed deposits	17,159	16,285
Less: Bank deposits pledged	(1,683)	(2,514)
<b>Cash and cash equivalents</b>	<b>15,476</b>	<b>13,771</b>

**Note A**

On 12 March 2014, the Group completed the disposal of its subsidiaries, FEE Water (China-PZH) Ltd and Federal Environmental (Panzhihua) Co., Ltd, which were previously classified as assets held for sale. The effect of the disposal on the financial position of the Group is as follows:

<b>Effect of disposal on the financial position of the Group</b>	
	<b>Group</b>
	<b>31.03.14</b>
	<b>S\$'000</b>
<b>Assets:</b>	
Property, plant and equipment	109
Financial receivables	26,478
Inventories	213
Other receivables	75
Prepayment	3
Fixed deposits	412
Cash and bank balances	64
	<b>27,354</b>
<b>Liabilities:</b>	
Trade payables	4,630
Other payables	4,029
Deferred revenue	41
Amount due to a related party	103
Term loans	20,970
Deferred tax liabilities	463
	<b>30,236</b>
<b>Net liabilities derecognised</b>	<b>(2,882)</b>
Consideration received, satisfied in cash	50
Cash and cash equivalents disposed of	(476)
<b>Net cash outflow</b>	<b>(426)</b>
<b>Gain on disposal:</b>	
Consideration received	50
Net liabilities derecognised	2,882
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity on loss of control of subsidiaries	649
	<b>3,581</b>

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

GROUP	← Attributable to owners of the Company →							Equity attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Equity, total S\$'000
	Share capital S\$'000	Accumulated losses S\$'000	Foreign currency translation reserve S\$'000	Capital reserve S\$'000	Revaluation reserve S\$'000	Other reserves S\$'000	Total reserves S\$'000			
<b>Balance at 01.01.15</b>	<b>144,099</b>	<b>(97,632)</b>	<b>(4,567)</b>	<b>2,778</b>	<b>16,598</b>	<b>(976)</b>	<b>(83,799)</b>	<b>60,300</b>	<b>(13,026)</b>	<b>47,274</b>
Profit, net of tax	-	15,991	-	-	-	-	15,991	15,991	-	15,991
Other comprehensive income:										
Items that may be reclassified subsequently to profit or loss:										
Foreign currency translation	-	-	(326)	-	-	-	(326)	(326)	90	(236)
Share of other comprehensive income of an associate	-	-	-	-	-	(1)	(1)	(1)	-	(1)
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>15,991</b>	<b>(326)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>15,664</b>	<b>15,664</b>	<b>90</b>	<b>15,754</b>
<b><u>Change in ownership interests in a subsidiary</u></b>										
Capital contribution by non-controlling interest in a subsidiary company	-	-	-	-	-	-	-	-	265	265
<b>Balance at 31.03.15</b>	<b>144,099</b>	<b>(81,641)</b>	<b>(4,893)</b>	<b>2,778</b>	<b>16,598</b>	<b>(977)</b>	<b>(68,135)</b>	<b>75,964</b>	<b>(12,671)</b>	<b>63,293</b>

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

GROUP	Attributable to owners of the Company										
	Share capital S\$'000	Accumulated losses S\$'000	Foreign currency translation reserve S\$'000	Capital reserve S\$'000	Revaluation reserve S\$'000	Other reserves S\$'000	Total reserves S\$'000	Equity attributable to owners of the Company S\$'000	Reserve of disposal group classified as held for sale S\$'000	Non-controlling interests S\$'000	Equity, total S\$'000
Balance at 01.01.14	144,099	(75,047)	(4,383)	2,778	14,092	(990)	(63,550)	80,549	536	(13,799)	67,286
Profit, net of tax	–	2,912	–	–	–	–	2,912	2,912	–	1,445	4,357
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:											
Foreign currency translation	–	–	604	–	–	–	604	604	(536)	(260)	(192)
Share of other comprehensive income of an associate	–	–	–	–	–	1	1	1	–	–	1
Total comprehensive income / (loss) for the period	–	2,912	604	–	–	1	3,517	3,517	(536)	1,185	4,166
Others											
Transfer from accumulated losses to statutory reserve fund	–	(13)	–	–	–	13	–	–	–	–	–
Balance at 31.03.14	144,099	(72,148)	(3,779)	2,778	14,092	(976)	(60,033)	84,066	–	(12,614)	71,452

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. – cont'd

The Company	Share capital	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000
<b>Balance at 01.01.15</b>	<b>144,099</b>	<b>(68,943)</b>	<b>75,156</b>
Loss for the period	–	(106)	(106)
Total comprehensive loss for the period	–	(106)	(106)
<b>Balance at 31.03.15</b>	<b>144,099</b>	<b>(69,049)</b>	<b>75,050</b>
<b>Balance at 01.01.14</b>	<b>144,099</b>	<b>(54,811)</b>	<b>89,288</b>
Loss for the period	–	(79)	(79)
Total comprehensive loss for the period	–	(79)	(79)
<b>Balance at 31.03.14</b>	<b>144,099</b>	<b>(54,890)</b>	<b>89,209</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 the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company did not issue any ordinary shares during the 3 months ended 31 March 2015.

As at 31 March 2015 and 31 December 2014 respectively, the Company did not have any convertible securities.

As at 31 March 2015 and 31 December 2014 respectively, there were no treasury shares held.

- 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.**

	<b>31.03.15</b>	<b>31.12.14</b>
Total number of issued shares (excluding treasury shares)	1,407,675,433	1,407,675,433

As at 31 March 2015 and 31 December 2014 respectively, there were no treasury shares held.

- 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.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.**

The figures have not been audited nor reviewed by the Company's auditor.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period, consistent with those of the audited financial statements for the year ended 31 December 2014.

**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.**

In the current financial period, the Group adopted the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual period beginning on or after 1 January 2015.

The adoption of these new / revised FRS and INT FRS did not result in any substantial change to the Group's and Company's accounting policies or have any significant impact on the financial statements.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	3 Months Ended	
	31.03.15	31.03.14
	cents	cents
(i) Based on weighted average number of ordinary shares in issue	1.14	0.21
(ii) On a fully diluted basis	1.14	0.21

The weighted average number of shares for the 3 months ended 31 March 2015 were 1,407,675,433 (31 March 2014: 1,407,675,433).

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

	Group	Company
	cents	cents
As at 31.03.15	5.40	5.33
As at 31.12.14	4.28	5.34

Net asset value per share is calculated based on the number of ordinary shares in issue of 1,407,675,433 as at 31 March 2015 (31 December 2014: 1,407,675,433).

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 affect the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

### **Overview**

The Group delivered sterling results for the first quarter of 2015 ("1QFY2015"). Compared with the corresponding period in 2014 ("1QFY2014"), turnover for 1QFY2015 increased by 161% to \$57.5 million and net profit after tax increased to \$16.0 million, which translates to an earnings per share of 1.14 cents.

### **Revenue**

Group turnover of \$57.5 million was 161% higher than 1QFY2014. The increase was due mainly to higher contribution from the Trading business which contributed 98% of the total revenue.

### **Gross profit**

Gross profit increased by more than three times to \$22.9 million. The increase was due to higher gross profit margin of 39.8% and higher turnover for the period.

### **Other operating income**

Other operating income was lower due to the absence of the one-off gain of \$3.6 million relating to the disposal of assets held for sale in 1QFY2014. The "assets held for sale" refer to the shares in FEE Water (China-PZH) Ltd ("FEEW") and Federal Environmental (Panzhihua) Co., Ltd ("FEPZH").

### **Selling and distribution costs**

Selling and distribution costs were 21.9% higher than 1QFY2014. The increase was due mainly to higher sales and marketing related costs incurred during the period.

### **Administrative and general costs**

Administrative and general costs were 41.8% higher than 1QFY2014. Administrative and general costs were lower in 1QFY2014 because of the write-back of certain overseas tax provisions in 1QFY2014.

### **Other operating expenses**

Other operating expenses for 1QFY2015 relate mainly to the loss on disposal of derivatives. The derivatives relate to foreign exchange forward contracts used to hedge against the movement of foreign currencies as part of the operational requirements of the Trading business.



### **Finance costs**

Finance costs were lower in 1QFY2015 due to the overall reduction in borrowings after the repayment of the vessel conversion loan and the disposal of the shares in FEEW and FEPZH in 2014.

### **Share of results of associates**

The Group's share of results of its associates for 1QFY2015 was a loss of \$23,000 compared with a share of profit of \$85,000 for 1QFY2014. The share of loss for 1QFY2015 was due mainly to losses reported by an associate company for the quarter.

### **Income tax expense**

The income tax expense relates mainly to provision for current period tax expense of \$3.4 million, net of reversal of overprovision of prior years' taxes of \$1.2 million.

### **Earnings per share**

The EPS for 1QFY2015 was 1.14 cents (1QFY2014: 0.21 cents).

## **STATEMENT OF FINANCIAL POSITION FOR THE GROUP**

### **Net assets attributable to owners of the Company**

Overall net assets attributable to owners of the Company increased by \$15.7 million to \$76.0 million as at 31 March 2015. Net asset value per share increased by 1.12 cents to 5.40 cents (31 December 2014: 4.28 cents).

### **Non-current assets**

Non-current assets decreased by \$259,000 to \$48.1 million. The decrease was due mainly to:

- a decrease in property, plant and equipment of \$0.5 million, mainly due to depreciation charge for the period; and
- a decrease in financial receivables due to recognition of part of the minimum guarantee received during the quarter.

The decrease was partly offset by an increase in investment in associates (+\$168,000) and amount due from a related party (+\$235K). The increase in associates relate mainly to the investment in PAE-Federal International Co., Ltd (+\$78,000) and an increase in foreign currency translation reserves arising from the appreciation of the US dollar and the Japanese Yen against the Singapore dollar. The increase in amount due from a related party relates mainly to revaluation of the US dollar denominated debt.

### **Current assets**

Current assets increased by \$8.7 million to \$105.8 million. The increase was due mainly to an increase in trade and other receivables of \$20.8 million and an increase of \$0.9 million in amounts due from associates. The increase in trade and other receivables was in tandem with the increase in revenue. The increase in amounts due from associates was due to an increase in loans to an associate during the quarter and the appreciation of the US dollar against the Singapore dollar.

The increase was partly offset by :

- a decrease in inventories of \$3.5 million due to a reduction in goods in-transit as the goods in-transit as at 31 December 2014 were delivered to customers in 1QFY2015; and
- a reduction in advance payment to suppliers of \$10.2 million as the advance payment was recognised in 1QFY2015 as costs of goods sold.

#### **Current liabilities**

Current liabilities decreased by \$7.5 million to \$87.9 million as at 31 March 2015. The decrease was due mainly to:

- a reduction in trade and other payables of \$4.9 million;
- a reduction in advance payment from customers of \$1.8 million as these advance payments were recognised as sales during the quarter;
- a reduction in amounts due to bankers of \$2.7 million and term loans of \$0.4 million due mainly to a net reduction in trust receipts and borrowings.

The decrease was partly offset by an increase in provision for income tax of \$2.8 million. The higher provision for income tax relates mainly to current period tax provision.

#### **Net current assets**

Net current assets improved from \$1.7 million to \$17.9 million as at 31 March 2015. The improvement was due mainly to the increase in trade receivables arising from the 161% increase in turnover.

#### **CONSOLIDATED STATEMENT OF CASH FLOWS**

The Group's available cash and cash equivalents increased by \$0.7 million to \$15.5 million as of 31 March 2015. Operating activities generated a net cash of \$9.0 million whereas investing and financing activities utilised \$4.8 million and \$3.5 million respectively.

The cash used for investing activities relate mainly to payments to suppliers for the conversion and offshore commissioning of the vessel, *Federal II*. The cash used for financing activities relate mainly to the repayment of term loans (\$2.6 million) and settlement of trust receipts (\$5.6 million), which was partly offset by proceeds from secured bank overdrafts (\$2.2 million), term loans (\$2.0 million) and pledged deposits (\$0.5 million).

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

No forecast or prospect statement was given.

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.**

**Trading**

The Group continues to focus on its core trading business and for 1QFY2015, the trading business contributed 98% of the recorded turnover of \$57.5 million, an increase of 161% when compared with the corresponding period in 2014. Despite the tougher operating environment, the Group will continue to actively grow its presence in terms of products offered and geographical presence in the Southeast Asian region.

Out of the committed sales orders of \$57.0 million as of 20 March 2015, \$12.4 million has been delivered and billed. As of 24 April 2015, the Group has outstanding orders on-hand of \$47.3 million, including \$2.9 million of new orders. The Group will continue to participate actively in bids for projects.

**Land rig**

The contract for the charter of the 1,200 HP land rig was signed on 17 April 2015. The contract, of value of about USD 917,000, is for the drilling of three wells at Jaboi, Sabang, Aceh Province, Indonesia. Drilling for the three wells is expected to be completed in 2015.

Under the contract, the charterer has the option to extend the charter for the drilling of a further seven wells at the same location. The net charter income is expected to contribute positively to the Group's results for the current financial year.

***Federal II***

Efforts are being made to expedite the offshore commissioning as well as to contain costs. Barring any unforeseen circumstances, we expect *Federal II*, a floating, storage and offloading ("FSO") vessel, to commence its charter operations by the middle of 2015.

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 (recommended), a statement to that effect.**

No dividends have been declared or recommended.

**13. Interested Person Transactions**

The Company does not have a shareholders' mandate for interested person transactions.

**14. 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 period ended 31 March 2015, to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

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

**Koh Maggie**  
**Executive Director**

**6 May 2015**