



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

**Unaudited Financial Statements and Dividend Announcement for
the Second Quarter and Six Months ended
30 June 2014**

7 August 2014

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

Second Quarter Financial Year 2014 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 SECOND QUARTER ("2QFY2014")

		Group			Group		
		3 Months Ended		Changes	6 Months Ended		Changes
		30.06.14	30.06.13		30.06.14	30.06.13	
		S\$'000	S\$'000 (Restated)	%	S\$'000	S\$'000 (Restated)	%
INCOME STATEMENT							
Revenue		42,876	24,072	78.1	64,910	44,383	46.2
Cost of sales		(35,401)	(16,982)	108.5	(52,534)	(29,767)	76.5
Gross profit		7,475	7,090	5.4	12,376	14,616	(15.3)
Other operating income	(i)	235	1,055	(77.7)	4,372	1,543	183.3
Selling and distribution costs		(2,368)	(2,135)	10.9	(4,245)	(4,405)	(3.6)
Administrative and general costs		(3,073)	(2,611)	17.7	(5,254)	(5,854)	(10.2)
Other operating expenses	(ii)	1,255	276	N.M.	1,345	228	N.M.
Finance costs	(iii)	(657)	(875)	(24.9)	(1,513)	(1,826)	(17.1)
Share of results of associates		(233)	(186)	25.3	(148)	(383)	(61.4)
Profit before tax	(iv)	2,634	2,614	0.8	6,933	3,919	76.9
Income tax expense		(469)	(16)	N.M.	(411)	(235)	74.9
Profit for the period		2,165	2,598	(16.7)	6,522	3,684	77.0
Attributable to:							
Owners of the Company		2,055	2,993	(31.3)	4,967	4,171	19.1
Non-controlling interests		110	(395)	(127.8)	1,555	(487)	N.M.
		2,165	2,598	(16.7)	6,522	3,684	77.0

N.M. – Not Meaningful

	Group			Group		
	3 Months Ended		Changes	6 Months Ended		Changes
	30.06.14	30.06.13		30.06.14	30.06.13	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
STATEMENT OF COMPREHENSIVE INCOME						
Profit net of tax	2,165	2,598	(16.7)	6,522	3,684	77.0
Other comprehensive income:						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation represents other comprehensive income for the period, net of tax	(995)	(50)	N.M.	(1,187)	(110)	N.M.
Share of other comprehensive income of an associate	–	–	–	1	(1)	(200.0)
Other comprehensive (loss) for the period, net of tax	(995)	(50)	N.M.	(1,186)	(111)	N.M.
Total comprehensive income for the period	1,170	2,548	(54.1)	5,336	3,573	49.3
Total comprehensive income attributable to:						
Owners of the Company	1,107	2,824	(60.8)	4,088	3,881	5.3
Non-controlling interests	63	(276)	(122.8)	1,248	(308)	N.M.
	1,170	2,548	(54.1)	5,336	3,573	49.3

N.M. – Not Meaningful

Notes:

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

	3 Months Ended		6 Months Ended	
	30.06.14	30.06.13	30.06.14	30.06.13
	S\$'000	S\$'000 (Restated)	S\$'000	S\$'000 (Restated)
Commission fee income	14	–	14	–
Foreign exchange gain	125	753	451	1,122
Gain on disposal of property, plant and equipment	–	2	–	4
Gain on disposal of assets held for sale	–	–	3,581	–
Implicit interest income	43	39	85	76
Interest income	4	75	13	79
Other income	49	186	228	262
	235	1,055	4,372	1,543

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

	3 Months Ended		6 Months Ended	
	30.06.14	30.06.13	30.06.14	30.06.13
	S\$'000	S\$'000 (Restated)	S\$'000	S\$'000 (Restated)
Allowance for slow moving inventories	–	15	–	50
Depreciation (Assets not in use)	–	237	–	470
Impairment loss on investment in associates	776	–	776	–
Impairment loss on doubtful receivables	–	–	41	–
Impairment loss on property, plant and equipment	–	23	–	23
Inventories written off	1	1	1	1
Other expenses	–	37	–	66
Vessel expenses	–	–	–	10
Write back of impairment loss on doubtful receivables	(1,365)	(589)	(1,496)	(848)
Write back of impairment loss on work-in-progress	(667)	–	(667)	–
	(1,255)	(276)	(1,345)	(228)

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

	3 Months Ended		6 Months Ended	
	30.06.14	30.06.13	30.06.14	30.06.13
	S\$'000	S\$'000	S\$'000	S\$'000
Interest expense on:				
- Bank overdrafts	32	18	46	85
- Hire purchase	2	2	3	8
- Term loans	421	740	1,153	1,533
- Trust receipts	202	115	311	200
	657	875	1,513	1,826

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

	3 Months Ended		6 Months Ended	
	30.06.14	30.06.13	30.06.14	30.06.13
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation	502	422	998	864

1(a)(v) Comparative figures

Prior year reclassification has been made to reclassify write back of impairment loss on doubtful receivables from other income to other operating expenses to better reflect the nature of the transactions.

	3 Months Ended			6 Months Ended		
	30.06.13	Reclassi- fication	30.06.13	30.06.13	Reclassi- fication	30.06.13
	S\$'000 (Previously reported)	S\$'000	S\$'000 (Restated)	S\$'000 (Previously reported)	S\$'000	S\$'000 (Restated)
INCOME STATEMENT						
Other operating income	1,644	(589)	1,055	2,391	(848)	1,543
Other operating expenses	(313)	589	276	(620)	848	228

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 30.06.14	As At 31.12.13	As At 30.06.14	As At 31.12.13
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets:				
Property, plant and equipment	35,280	35,859	8	9
Investment in subsidiaries	–	–	89,531	78,613
Investment in associates	9,123	10,159	4,494	4,494
Intangible assets	1	1	–	–
Other investment	20	20	–	–
Other receivables	60	62	–	–
Amount due from a related party	5,798	–	–	–
Financial receivables	1,913	1,958	–	–
Deferred tax assets	265	312	19	19
	52,460	48,371	94,052	83,135
Current assets:				
Asset under construction	47,100	42,969	–	–
Inventories	24,018	22,930	–	–
Trade and other receivables	32,440	35,076	6	4
Gross amount due from customer for work-in-progress	–	77	–	–
Advance payment to suppliers	12,163	2,519	–	–
Prepayments	738	58	12	18
Deposits	162	110	4	4
Financial receivables	550	683	–	–
Amounts due from subsidiaries	–	–	10,121	20,359
Amounts due from associates	442	454	22	45
Amount due from a related party	–	5,886	–	–
Fixed deposits	1,847	1,603	1,271	1,290
Cash and bank balances	12,305	19,706	301	1,743
	131,765	132,071	11,737	23,463
Assets of disposal group classified as held for sale	–	27,399	–	–
	131,765	159,470	11,737	23,463
Current liabilities:				
Trade and other payables	32,203	28,443	2,397	2,016
Advance payment from customers	1,646	2,279	–	–
Advance payment from an associate	12,993	13,191	–	–
Deferred revenue	–	20	–	–
Gross amount due to customer for work-in-progress	139	–	–	–
Amounts due to subsidiaries	–	–	1,183	11,181
Amounts due to associates	799	942	777	789
Amount due to a related party	1,750	1,803	–	–
Amounts due to bankers	29,668	23,524	–	–
Term loans	23,088	27,545	–	–
Hire purchase creditors	46	45	–	–
Provision for income tax	4,524	6,733	3,537	3,324
	106,856	104,525	7,894	17,310
Liabilities directly associated with disposal group classified as held for sale	–	30,808	–	–
	106,856	135,333	7,894	17,310
Net current assets	24,909	24,137	3,843	6,153
Non-current liabilities:				
Term loans	3,289	3,741	–	–
Hire purchase creditors	14	37	–	–
Amount due to a subsidiary	–	–	8,696	–
Provision for post-employment benefits	5	5	–	–
Deferred tax liabilities	1,439	1,439	–	–
	4,747	5,222	8,696	–
Net assets	72,622	67,286	89,199	89,288
Equity attributable to owners of the Company				
Share capital	144,099	144,099	144,099	144,099
Foreign currency translation reserve	(4,727)	(4,383)	–	–
Capital reserve	2,778	2,778	–	–
Revaluation reserve	14,092	14,092	–	–
Other reserves	(976)	(990)	–	–
Accumulated losses	(70,093)	(75,047)	(54,900)	(54,811)
Reserve of disposal group classified as held for sale	–	536	–	–
	85,173	81,085	89,199	89,288
Non-controlling interests	(12,551)	(13,799)	–	–
Total equity	72,622	67,286	89,199	89,288

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 30.06.14 S\$'000		As at 31.12.13 S\$'000	
Secured	Unsecured	Secured	Unsecured
52,802	-	51,114	-

Amount repayable after one year

As at 30.06.14 S\$'000		As at 31.12.13 S\$'000	
Secured	Unsecured	Secured	Unsecured
3,297	6	3,769	9

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) Subsidiary's vessel, namely *Federal II*;
- (iii) Bank deposits pledged by the Company and its subsidiaries;
- (iv) Corporate guarantee by the Company;
- (v) Personal guarantee by a director of a subsidiary;
- (vi) Subsidiary's inventories; and
- (vii) Shares of a subsidiary.

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.

	Group		Group	
	For 3 Months Ended		For 6 Months Ended	
	30.06.14	30.06.13	30.06.14	30.06.13
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit before tax	2,634	2,614	6,933	3,919
<u>Adjustments for:</u>				
Allowance for slow moving inventories	–	15	–	50
Depreciation of property, plant and equipment	502	422	998	864
Gain on disposal of assets held for sale (Note A)	–	–	(3,581)	–
Gain on disposal of property, plant and equipment	–	(2)	–	(4)
Impairment loss on investment in associates	776	–	776	–
Impairment loss on doubtful receivables	–	–	41	–
Impairment loss on property, plant and equipment	–	23	–	23
Implicit interest income	(43)	(39)	(85)	(76)
Interest expense	657	875	1,513	1,826
Interest income	(4)	(75)	(13)	(79)
Share of results of associates	233	186	148	383
Share of other comprehensive income of an associate	–	–	–	1
Unrealised exchange loss	98	(31)	172	(30)
Write back of impairment loss on doubtful receivables	(1,365)	(589)	(1,496)	(848)
Write back of impairment loss on work-in-progress	(667)	–	(667)	–
Operating cash flows before changes in working capital	2,821	3,399	4,739	6,029
<u>(Increase)/decrease in:</u>				
Inventories	636	1,655	(1,055)	(841)
Trade and other receivables	(1,879)	299	3,809	1,134
Gross amount due from customer for work-in-progress	774	(87)	744	(115)
Financial receivables	69	228	119	299
Advance payment to suppliers	(9,422)	(1,978)	(9,638)	(1,945)
Prepayments	(292)	(350)	(463)	(476)
Deposits	(52)	(1)	(54)	(3)
Amounts due from associates	(28)	(653)	(27)	(854)
<u>(Decrease)/increase in:</u>				
Trade and other payables	2,238	(1,014)	2,231	(3,320)
Bills receivables purchase	10,359	–	10,359	–
Gross amount due to customer for work-in-progress	138	(8)	138	109
Advance payment from customers	138	(1,191)	(633)	164
Deferred revenue	–	–	(20)	(40)
Amounts due to associates	(52)	89	(143)	82
Amount due a related party	6	230	(14)	142
Cash flows generated from operations	5,454	618	10,092	365
Interest income received	3	73	11	74
Interest expense paid	(353)	(488)	(846)	(936)
Income tax paid	(553)	(1,019)	(2,566)	(1,201)
Net cash generated from/(used in) operating activities	4,551	(816)	6,691	(1,698)

	Group		Group	
	For 3 Months Ended		For 6 Months Ended	
	30.06.14	30.06.13	30.06.14	30.06.13
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from investing activities:				
Payments made to suppliers for conversion of a vessel	(2,402)	(5,540)	(4,812)	(7,791)
Purchase of property, plant and equipment	(276)	(34)	(388)	(67)
Proceeds from disposal of assets held for sale, net of cash disposed of (Note A)	–	–	(426)	–
Net cash used in investing activities	(2,678)	(5,574)	(5,626)	(7,858)
Cash flows from financing activities:				
(Repayment)/proceeds from secured bank overdrafts	(262)	(3,168)	1,923	(4,472)
Repayment of hire obligations under purchase – net	(11)	(41)	(22)	(87)
Drawdown of term loans	1,708	4,190	8,548	17,926
Repayment of term loans	(5,325)	(1,153)	(12,465)	(12,391)
Decrease/(increase) in pledged deposits	208	–	(741)	(183)
Proceeds from right issue	–	10,076	–	10,076
Rights issuance expense	–	(442)	–	(442)
Increase/(decrease) in trust receipts	44	1,149	(6,002)	4,113
Net cash (used in)/generated from financing activities	(3,638)	10,611	(8,759)	14,540
Net (decrease)/increase in cash and cash equivalents	(1,765)	4,221	(7,694)	4,984
Effect of exchange rate changes on cash and cash equivalents	(98)	31	(173)	30
Cash and cash equivalents at beginning of period	13,771	4,971	19,775	4,209
Cash and cash equivalents at end of the period	11,908	9,223	11,908	9,223

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

	Group	
	For 6 Months Ended	
	30.06.14	30.06.13
	S\$'000	S\$'000
Cash and cash equivalents at the end of the period:		
Cash and bank balances and fixed deposits	14,152	11,640
Less: Bank deposits pledged	(2,244)	(2,417)
Cash and cash equivalents	11,908	9,223

Note A

As at 12 March 2014, the Group has completed the disposal of its subsidiaries, FEE Water (China-PZH) Ltd and Federal Environmental (Panzhuhua) Co., Ltd., which were previously classified as assets held for sale. Details of the disposal as follows:

Effect of disposal on the financial position of the Group	Group
	30.06.14
	S\$'000
Assets:	
Property, plant and equipment	109
Financial receivables	26,478
Inventories	213
Other receivables	75
Prepayment	3
Fixed deposits	412
Cash and bank balances	64
	27,354
Liabilities:	
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
	30,236
Net liabilities derecognised	(2,882)
Consideration received, satisfied in cash	50
Cash and cash equivalents disposed of	(476)
Net cash outflow	(426)
Gain on disposal:	
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
	3,581

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			
Balance at 01.01.13 (Restated)	133,624	(79,778)	(3,463)	2,778	9,094	(1,000)	(72,369)	61,255	(12,699)	48,556
Profit / (loss), net of tax	–	1,178	–	–	–	–	1,178	1,178	(92)	1,086
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	(120)	–	–	–	(120)	(120)	60	(60)
Share of other comprehensive income of an associate	–	–	–	–	–	(1)	(1)	(1)	–	(1)
Total comprehensive income/(loss) for the period	–	1,178	(120)	–	–	(1)	1,057	1,057	(32)	1,025
<u>Others</u>										
Transfer from accumulated losses to statutory reserve fund	–	(1)	–	–	–	1	–	–	–	–
Balance at 31.03.13	133,624	(78,601)	(3,583)	2,778	9,094	(1,000)	(71,312)	62,312	(12,731)	49,581
Profit / (loss), net of tax	–	2,993	–	–	–	–	2,993	2,993	(395)	2,598
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	(169)	–	–	–	(169)	(169)	119	(50)
Total comprehensive income/(loss) for the period	–	2,993	(169)	–	–	–	2,824	2,824	(276)	2,548
<u>Contributions by owners</u>										
Rights shares issuance	10,076	–	–	–	–	–	–	10,076	–	10,076
Rights shares issuance expense	(442)	–	–	–	–	–	–	(442)	–	(442)
Total contributions by owners	9,634	–	–	–	–	–	–	9,634	–	9,634
Balance at 30.06.13	143,258	(75,608)	(3,752)	2,778	9,094	(1,000)	(68,488)	74,770	(13,007)	61,763

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 →										
	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
<u>Others</u>											
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
Profit, net of tax	–	2,055	–	–	–	–	2,055	2,055	–	110	2,165
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:											
Foreign currency translation	–	–	(948)	–	–	–	(948)	(948)	–	(47)	(995)
Total comprehensive income/(loss) for the period	–	2,055	(948)	–	–	–	1,107	1,107	–	63	1,170
Balance at 30.06.14	144,099	(70,093)	(4,727)	2,778	14,092	(976)	(58,926)	85,173	–	(12,551)	72,622

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

The Company	Share capital	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000
Balance at 1.01.13	133,624	(56,412)	77,212
Profit for the period	–	682	682
Total comprehensive income for the period	–	682	682
Balance at 31.03.13	133,624	(55,730)	77,894
Loss for the period	–	(593)	(593)
Total comprehensive loss for the period	–	(593)	(593)
<u>Contributions by owners</u>			
Rights shares issuance	10,076	–	10,076
Rights shares issuance expense	(442)	–	(442)
Total contributions by owners	9,634	–	9,634
Balance at 30.06.13	143,258	(56,323)	86,935

The Company	Share capital	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000
Balance at 1.01.14	144,099	(54,811)	89,288
Loss for the period	–	(79)	(79)
Total comprehensive loss for the period	–	(79)	(79)
Balance at 31.03.14	144,099	(54,890)	89,209
Loss for the period	–	(10)	(10)
Total comprehensive loss for the period	–	(10)	(10)
Balance at 30.06.14	144,099	(54,900)	89,199

- 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 6 months ended 30 June 2014.

As at 30 June 2014 and 31 December 2013 respectively, the Company did not have any convertible securities.

As at 30 June 2014 and 31 December 2013 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.**

	30.06.14	31.12.13
Total number of issued shares (excluding treasury shares)	1,407,675,433	1,407,675,433

As at 30 June 2014 and 31 December 2013 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 2013.

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 2014.

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		6 Months Ended	
	30.06.14	30.06.13	30.06.14	30.06.13
	cents	cents	cents	Cents
(i) Based on weighted average number of ordinary shares in issue	0.15	0.22	0.35	0.35
(ii) On a fully diluted basis	0.15	0.22	0.35	0.35

The weighted average number of shares for the 3 months ended 30 June 2014 and 6 months ended 30 June 2014 were 1,407,675,433 (3 months ended 30 June 2013: 1,358,246,588 and 6 months ended 30 June 2013: 1,187,169,227).

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 30.06.14	6.05	6.34
As at 31.12.13	5.76	6.34

Net asset value per share is calculated based on the number of ordinary shares in issue of 1,407,675,433 as at 30 June 2014 (31 December 2013: 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 recorded a 78% y-o-y increase in revenue in the second quarter of 2014 ("**2QFY2014**"). The overall turnover of \$42.9 million was boosted by higher sales to customers in the People's Republic of China ("**PRC**"). However, overall gross profit margin declined due to a change in the sales composition during the quarter.

For the first half of 2014 ("**1HFY2014**"), profit before tax and earnings per share ("**EPS**") increased to \$6.9 million and 0.35 cents respectively.

2QFY2014 vs 2QFY2013

The Group recorded a revenue of \$42.9 million in 2QFY2014, a 78% y-o-y increase. The increase was due mainly to higher sales to the PRC. The change in sales composition resulted in an overall decline in gross profit margin.

Other operating income was 78% lower due mainly to lower foreign exchange gain recorded in 2QFY2014 as compared with the corresponding period in 2013.

Higher selling and distribution costs incurred during the quarter were associated with the increase in revenue. The increase in administrative and general costs was due mainly to depreciation expense recorded for the land drilling rig which was acquired in December 2013 and higher professional fees.

Other operating expenses for 2QFY2014 were a net credit amount of \$1.3 million, which comprised an impairment loss on investment in associates of \$0.8 million and the writeback of impairment losses on doubtful receivables and on work-in-progress amounting to \$1.4 million and \$0.7 million respectively.

Finance costs were lower due mainly to a reduction in overall borrowings.

The Group recorded a higher share of loss from its share of associates' results due mainly to lower profits reported by an associate during the quarter.

For the second fiscal quarter, the Group generated profit before tax and earnings per share of \$2.6 million and 0.15 cents respectively.

1HFY2014 vs 1HFY2013

Revenue of \$64.9 million was 46% higher than the corresponding period in 2013. The increase in revenue was due mainly to higher sales to customers in the PRC. Overall gross profit margin was lower in 2014 due to a change in the sales composition.

Other operating income of \$4.4 million was higher due to the gain of \$3.6 million from the disposal of the shares in FEE Water (China-PZH) Ltd in 1QFY2014.

Selling and distribution costs were marginally lower due to lower freight and related costs incurred. Overall administrative and general costs were lower due to the reversal of tax provisions that have reached the statutory time bar.

Other operating expenses were a net credit balance of \$1.3 million, which comprised mainly an impairment loss on investment in associates of \$0.8 million and the writeback of impairment losses on doubtful receivables and work-in-progress amounting to \$1.5 million and \$0.7 million respectively.

Finance costs were lower due mainly to a reduction in overall borrowings.

The Group recorded a lower share of loss from its share of results of associates due mainly to better results reported by an associate in 1QFY2014.

For 1HFY2014, the Group generated profit before tax and earnings per share of \$6.9 million and 0.35 cents respectively.

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 from \$81.1 million as of 31 December 2013 to \$85.2 million as at the end of 1HFY2014. Net asset value per share increased by 0.29 cents to 6.05 cents (31 December 2013: 5.76 cents).

Non-current assets

Non-current assets increased by \$4.1 million to \$52.5 million. The increase was mainly attributable to the reclassification of the amount of \$5.8 million, which is due from a related party, from current assets to non-current assets as the amount is not expected to be repaid within the next 12 months. The increase in non-current assets was partly offset by a reduction in investment in associates arising from goodwill written off and also, the recognition of the Group's share of associates' losses.

Current assets

Current assets decreased by \$27.7 million to \$131.8 million. The decrease was due mainly to:

- completion of the disposal of the shares in FEEW in which the assets of the disposal group was classified as current assets under "assets of disposal group classified as held for sale";
- reduction in trade and other receivables;
- reclassification of the amount due from a related party as a non-current asset; and
- reduction in cash and bank balances due to the repayment of borrowings and payment to suppliers for the conversion of *Federal II*.

The decrease was partly offset by an increase in:

- asset under construction, which relates to the vessel, *Federal II*;
- inventories; and
- advance payment to suppliers and prepayments, which relate to payments to suppliers for on-going projects.

Current liabilities

Current liabilities decreased by \$28.5 million to \$106.9 million. The reduction was due mainly to:

- the completion of the disposal of the shares in FEEW in which the liabilities of the disposal group was classified as current liabilities under “liabilities directly associated with disposal group classified as held for sale”;
- reduction in advance payment from customers;
- reduction in term loans; and
- reduction in provision for income tax as prior years’ taxes of a subsidiary were settled.

The decrease was partly offset by an increase in trade and other payables and also, the amounts due to bankers arising from an increase in trade related financing facilities utilised.

Net current assets

The Group’s net current asset position as at 30 June 2014 was \$24.9 million.

STATEMENT OF FINANCIAL POSITION FOR THE COMPANY

Investment in subsidiaries

Amounts due from subsidiaries

The increase in investment in subsidiaries and the decrease in amounts due from subsidiaries were due to the reclassification of a loan to a subsidiary as quasi-equity loan.

Amounts due to subsidiaries

The movement in the amounts due to subsidiaries between current and non-current liabilities is due to a reclassification of an amount due to a subsidiary as a non-current liability.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first half of 2014, the Group generated net cash of \$6.7 million from its operating activities. As of 30 June 2014, the Group’s net available cash and cash equivalents decreased by \$7.7 million to \$11.9 million. The reduction was due mainly to the net repayment of borrowings and trust receipts, and payments made to suppliers in connection with the conversion of *Federal II*.

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.

The Group was removed from the SGX Watch List on 9 June 2014. The successful removal from the Watch List heralds an important milestone in the Group's efforts to focus on its core trading business and improve its performance.

The People's Republic of China and Indonesia are important markets for the Group's trading business. The resumption of business activities after the Indonesia presidential election, especially major oil and gas projects, would boost the business outlook for the oil and gas industry. The Group will continue to actively participate in bids for projects in the region.

The Group has effectively divested of its key non-core businesses and assets (relating to the PZH waterplant) under the Energy and Utilities business segment and does not expect any significant contributions or impact from this business segment.

Conversion and disposal of *Federal II*

Under the Marine Logistics business segment, the main on-going activity is the completion of the conversion and subsequent disposal of the vessel, *Federal II*. The vessel, upon conversion to a floating, storage and offloading vessel ("**FSO**") will be sold to PT Eastern Jason ("**PTEJ**"), an associate of the Group, which will charter the vessel to China National Offshore Oil Corporation ("**CNOOC**") in Indonesia. The conversion and disposal of the vessel are into the final stages and the Group expects to complete the sale of the vessel in the third quarter of 2014.

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 30 June 2014, to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Koh Kian Kiong
Executive Chairman & CEO

Koh Maggie
Executive Director

7 August 2014