

## FEDERAL INTERNATIONAL (2000) LTD

Incorporated in Singapore

Company Registration No. 199907113K

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### QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL FOR THE THREE MONTHS ENDED 31 MARCH 2014

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The Company was placed on the Watch-List pursuant to Rule 1311 of the SGX-ST Listing Manual on 5 March 2012.

Pursuant to Rule 1313(2) of the SGX-ST Listing Manual, the Board of Directors of the Company wishes to provide the following updates. Please also refer to the Group's announcement on 9 May 2014 on the unaudited results for the first quarter ended 31 March 2014 ("1QFY2014").

#### 1 Update on Performance, Financial Position and Cash Flow

##### 1.1 Consolidated income statement

In 2012, the Group focused on restructuring its non-core businesses and made impairments for non-performing investments and assets. The restructuring was part of a concerted strategy to turnaround the Group and to focus on the Group's core competency in the trading business.

As a result of the renewed focus and restructuring, the Group recorded a net profit before tax of \$5.0 million for FY2013. For 1QFY2014, the Group made a net profit of \$4.4 million on a turnover of \$22.0 million. Group turnover increased by 8.5%, mainly due to higher sales to customers in China.

A summary of the key financial indicators of the Group's consolidated income statement for 1Q14 are as shown below.

KEY FINANCIAL INDICATORS	Group		
	3 Months Ended		Changes
	31.03.14	31.03.13	
	S\$'000	S\$'000	%
Revenue	22,034	20,311	+8.5
Gross profit	4,901	7,526	-34.9
Gross profit margin	22.2%	37.1%	
Profit before tax	4,299	1,305	+229.4
Profit after tax	4,357	1,086	+301.2
<b>Profit attributable to:</b>			
Owners of the Company	2,912	1,178	+147.2
Non-controlling interests	1,445	(92)	N.M.
	<b>4,357</b>	<b>1,086</b>	<b>+301.2</b>
<b>Earnings per share (EPS, in cents)</b>	<b>0.21</b>	<b>0.13</b>	<b>+61.5</b>

#### Notes:

**N.M. denotes not meaningful**

**EPS is computed based on the weighted average number of ordinary shares in issue and on a fully diluted basis.**

## **Overview**

For the first fiscal quarter ended 31 March 2014 (“**1QFY2014**”), the Group recorded a net profit of \$4.4 million and an earnings per share (“**EPS**”), on a fully diluted basis, of 0.21 cents. Revenue increased by 8.5% over the same period in fiscal year 2013 (“**1QFY2013**”) due mainly to higher sales to customers in China.

## **Revenue**

Turnover of \$22.0 million was 8.5% higher than 1QFY2013. The increase was mainly attributed to higher sales to customers in China. The trading segment contributed 97% of total revenue.

## **Gross profit**

The Group recorded a gross profit (“**GP**”) of \$4.9 million for 1QFY2014. The decline in GP was due mainly to lower overall gross margin arising from a change in the mix of products sold during the period.

## **Other operating income**

Other operating income for 1QFY2014 included a gain of \$3.6 million from the disposal of assets held for sale. The “assets held for sale” refers to the 99% shares in FEE Water (China-PZH) Ltd (“**FEEW**”) for which the disposal was approved by shareholders at an extraordinary general meeting held on 13 February 2014.

## **Selling and distribution costs**

The reduction in selling and distribution costs was due mainly to lower freight and marketing expenses incurred during the period.

## **Administrative and general costs**

Administrative and general costs were lower due mainly to reversal of accruals for overseas taxes that have reached the statutory time bar.

## **Share of results of associates**

The Group’s share of results of its associates for 1QFY2014 was \$85,000, compared with a share of loss of \$197,000 in 1QFY2013. The improvement was due to an increase in the net profits, attributed to better gross margins, reported by an associate.

## **Income tax credit**

The tax credit of \$58,000 recorded in 1QFY2014 was due mainly to an adjustment relating to the overprovision of tax by a subsidiary.

## **Earnings per share**

The EPS for 1QFY2014 was 0.21 cents (1QFY2013: 0.13 cents).

## 1.2 Statement of financial position

A summary of the key financial indicators of the Group's financial position as at 31 March 2014 is as shown below.

Statement of financial position of the Group	Group		
	As at 31.03.14 S\$'000	As at 31.12.13 S\$'000	Changes %
Non-current assets	48,732	48,371	+0.7
Current assets	136,133	159,470	-14.6
Current liabilities	108,428	135,333	-20.0
Net current assets	27,705	24,137	+14.8
Non-current liabilities	4,985	5,222	-4.5
Equity attributable to:			
- Owners of the Company	84,066	81,085	+3.7
- Non-controlling interests	(12,614)	(13,799)	-8.6
<b>Net assets/equity</b>	<b>71,452</b>	<b>67,286</b>	<b>+6.2</b>
<b>Net asset value per share (In cents)</b>	<b>5.97</b>	<b>5.76</b>	<b>+3.6</b>

### 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 \$84.1 million as at the end of 1QFY2014. Net asset value per share increased by 0.21 cents to 5.97 cents (31 December 2013: 5.76 cents).

### Current assets

Current assets decreased by \$23.3 million to \$136.1 million. The decrease was due mainly to:

- completion of the disposal of the 99% 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 – outstanding trade receivables reduced by about \$6 million mainly due to collections received; and
- reduction in cash and bank balances arising mainly from 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 carrying value of the vessel, *Federal II*;
- inventories; and
- advance payment to suppliers.

### Current liabilities

Current liabilities decreased by \$26.9 million to \$108.4 million. The reduction was due mainly to the completion of the disposal of the 99% 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".

The reduction in provision for income tax was due to prior years' taxes paid by a subsidiary during the period.

The decrease was partly offset by an increase in amounts due to bankers arising from an increase in trade facilities utilised during the period.

### Net current assets

The Group's net current asset position increased to \$27.7 million as at the end of 1QFY2014. The improvement is due mainly to the completion of the disposal of the shares in FEEW.

### 1.3 Consolidated statement of cash flows

	For 3 months ended 31.03.14	For 3 months ended 31.03.13
	S\$'000	S\$'000
Cash flows generated from operations	4,638	(253)
Interest income received	8	1
Interest expense paid	(494)	(448)
Income tax paid, net	(2,012)	(182)
Net cash generated from operating activities	2,140	(882)
Net cash used in investing activities	(2,949)	(2,284)
Net cash generated from financing activities	(5,121)	3,929
<b>Net increase in cash and cash equivalents</b>	<b>(5,930)</b>	<b>763</b>
Effect of exch rate changes on cash & cash equivalents	(74)	(1)
Cash and cash equivalents at beginning of period	19,775	4,209
<b>Cash and cash equivalents at end of period</b>	<b>13,771</b>	<b>4,971</b>

The Group's available cash and cash equivalents reduced by \$5.9 million to \$13.8 million as of 31 March 2014. The reduction was due mainly to the net repayment of borrowings during the period. For 1Q14, the Group generated net cash flows from its operating activities of \$2.1 million. Investing activities utilised \$2.9 million and the net repayment of borrowings utilised \$5.1 million.

## 2 Update on Future Direction

The Group continues to focus on its core trading business and for 1QFY2014, the trading business segment recorded a turnover of \$22.0 million, an increase of 8.5% when compared with the corresponding period in 2013. The Group continues to participate actively in bids for projects in the region and expects a healthy pipeline of projects in 2014.

The Group has effectively divested of its non-core businesses and does not expect any significant contributions or impact from the Resources, and Energy and Utilities business segments.

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.

### **Disposal of 99% shares in FEE Water (China-PZH) Ltd (“FEEW”)**

At the EGM held on 13 February 2014, shareholders approved the resolution to dispose of the 99% shares in FEEW. The sale and transfer of shares was completed on 12 March 2014.

### **Conversion and disposal of *Federal II***

On 20 September 2012, the Group announced that a consortium, comprising amongst other parties, PTEJ, had secured a charter contract to supply an FSO to CNOOC for a period of 5 years and renewable for a further period of 5 years. PTEJ is a company incorporated under the laws of Indonesia and is a joint venture between Eastern Jason Fabriciation Services Pte Ltd (“**EJFS**”), a wholly owned subsidiary of the Group, and PT Pratama Unggul Lestari (“**PTPUL**”). The issued and paid up capital of PTEJ is 70% owned by PTPUL and 30% owned by EJFS.

On 2 November 2012, the Group announced that a memorandum of agreement was signed between PTEJ and EJFS for the sale of the vessel, *Federal II*, by EJFS as an FSO for a purchase consideration of US\$52 million. A downpayment of US\$10.4 million has been received from PTEJ and the balance consideration of US\$41.6 million is secured on a standby letter of credit issued by Bank International Indonesia (“**BI**”). The vessel would be converted to an FSO before the sale. On 8 January 2013, shareholders at an extraordinary general meeting approved the conversion and disposal of the vessel. The expected date of delivery of the vessel is in the second quarter of 2014.

#### **By Order of the Board**

Maggie Koh  
Executive Director

9 May 2014