FEDERAL INTERNATIONAL (2000) LTD

Incorporated in the Republic of Singapore
Registration No. 199907113K

Unaudited Condensed Interim Financial Statements for the Six Months ended 30 June 2021

12 August 2021

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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Condensed Interim Consolidated Income Statement

	Note	Group		
		6 Months Ended		
		30.06.2021	30.06.2020	Changes
		S$'000	S$'000	%
Revenue	5	28,820	30,085	(4.2)
Cost of sales		(22,761)	(25,236)	(9.8)
Gross profit		**6,059**	**4,849**	**25.0**
Gross profit margin		**21.0%**	**16.1%**	
Other income		886	1,046	(15.3)
Selling and distribution costs		(2,613)	(2,687)	(2.8)
Administrative and general costs		(4,226)	(4,742)	(10.9)
Other operating expenses		(402)	(173)	132.4
Net (impairment loss) / writeback of impairment loss on financial assets		(286)	18	N.M.
Finance costs		(585)	(579)	1.0
Share of results of associates		475	541	(12.2)
Loss before tax	6	**(692)**	**(1,727)**	(59.9)
Income tax expense	7	(397)	(122)	N.M.
Loss net of tax		**(1,089)**	**(1,849)**	**(41.1)**
Attributable to:				
Owners of the Company		(1,050)	(1,894)	(44.6)
Non-controlling interests		(39)	45	(186.7)
		(1,089)	**(1,849)**	**(41.1)**
Loss per share attributable to owners of the Company (cents per share)	8			
Basic		(0.75)	(1.35)	
Diluted		(0.75)	(1.35)	

N.M. – Not Meaningful

	Group		
	6 Months Ended		
	30.06.2021	30.06.2020	Changes
	S$'000	S$'000	%
Loss net of tax	(1,089)	(1,849)	(41.1)
Other comprehensive (loss) / income:			
Items that will not be reclassified subsequently to profit or loss			
Foreign currency translation	(33)	103	(132.0)
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation	185	653	(71.7)
Share of other comprehensive income of associates	40	261	(84.7)
Other comprehensive income for the period, net of tax	**192**	**1,017**	**(81.1)**
Total comprehensive loss for the period	**(897)**	**(832)**	**7.8**
Total comprehensive loss attributable to:			
Owners of the Company	(825)	(980)	(15.8)
Non-controlling interests	(72)	148	(148.6)
	(897)	**(832)**	**7.8**

N.M. – Not Meaningful

Condensed Interim Statements of Financial Position

	Note	Group		Company	
		As At 30.06.2021	As At 31.12.2020	As At 30.06.2021	As At 31.12.2020
		S$'000	S$'000	S$'000	S$'000
Non-current assets					
Property, plant and equipment	10	16,452	17,459	10	12
Right-of-use assets		3,226	3,349	–	–
Investment properties	11	11,500	11,500	–	–
Investment in subsidiaries		–	–	76,461	76,353
Investment in associates		8,438	7,924	732	732
Intangible assets	12	613	682	–	–
Financial assets at fair value through other comprehensive income ("FVOCI")	13	381	381	381	381
Other receivables	14	11,108	11,104	11,022	11,022
Deferred tax assets		2,076	2,142	–	–
		53,794	**54,541**	**88,606**	**88,500**
Current assets					
Inventories		10,764	16,666	–	–
Trade receivables	15	19,309	27,985	–	–
Other receivables		3,752	3,556	792	562
Advance payment to suppliers		1,680	701	–	–
Prepayments		323	336	10	23
Deposits		40	40	4	4
Amounts due from subsidiaries		–	–	3,615	3,302
Amounts due from associates		2,888	2,840	–	–
Amount due from a related party		3,712	3,649	–	–
Fixed and bank deposits		1,448	1,460	1,345	1,322
Cash and bank balances		5,471	6,807	11	131
		49,387	**64,040**	**5,777**	**5,344**
Current liabilities					
Trade payables		5,358	8,950	–	–
Other payables		4,324	4,067	616	569
Contract liabilities		2,222	1,962	–	–
Amounts due to subsidiaries		–	–	966	1,056
Amounts due to associates		10	10	–	–
Amount due to related parties		1,672	1,686	–	–
Amounts due to banks	16	8,896	18,747	33	–
Term loans	16	7,687	7,804	–	–
Lease liabilities		205	213	–	–
Provision for taxation		405	144	–	–
		30,779	**43,583**	**1,615**	**1,625**
Net current assets		**18,608**	**20,457**	**4,162**	**3,719**
Non-current liabilities					
Amounts due to subsidiaries		–	–	15,653	15,387
Term loans	16	5,874	7,445	–	–
Provision for post employment benefits		160	206	–	–
Lease liabilities		3,207	3,290	–	–
Deferred tax liabilities		1,903	1,902	91	91
		11,144	**12,843**	**15,744**	**15,478**
Net assets		**61,258**	**62,155**	**77,024**	**76,741**

Condensed Interim Statements of Financial Position (cont'd)

	Note	Group		Company	
		As At 30.06.2021	As At 31.12.2020	As At 30.06.2021	As At 31.12.2020
		S$'000	S$'000	S$'000	S$'000
Equity					
Share capital	17	144,099	144,099	144,099	144,099
Treasury shares	17	(25)	(25)	(25)	(25)
Foreign currency translation reserve		(4,132)	(4,357)	–	–
Capital reserve		5	5	–	–
Revaluation reserve		18,409	18,409	–	–
Other reserves		(1,133)	(1,133)	(157)	(157)
Accumulated losses		(80,186)	(79,136)	(66,893)	(67,176)
Equity attributable to owners of the Company		77,037	77,862	77,024	76,741
Non-controlling interests		(15,779)	(15,707)	–	–
Total equity		**61,258**	**62,155**	**77,024**	**76,741**

Federal International (2000) Ltd and its Subsidiaries
Condensed Interim Statements of Changes in Equity

GROUP	Attributable to owners of the Company									
	Share capital S$'000	Treasury shares S$'000	Accumu-lated losses S$'000	Foreign currency translation reserve S$'000	Capital reserve S$'000	Revaluation reserve S$'000	Other reserves S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Balance at 01.01.2021	**144,099**	**(25)**	**(79,136)**	**(4,357)**	**5**	**18,409**	**(1,133)**	**77,862**	**(15,707)**	**62,155**
Loss net of tax	–	–	(1,050)	–	–	–	–	**(1,050)**	(39)	**(1,089)**
Other comprehensive income/(loss):										
Items that will not be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	–	–	–	–	**–**	(33)	**(33)**
Items that are or may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	185	–	–	–	**185**	–	**185**
Share of other comprehensive income of associates	–	–	–	40	–	–	–	**40**	–	**40**
Total comprehensive income/(loss) for the period	**–**	**–**	**(1,050)**	**225**	**–**	**–**	**–**	**(825)**	**(72)**	**(897)**
Balance at 30.06.2021	**144,099**	**(25)**	**(80,186)**	**(4,132)**	**5**	**18,409**	**(1,133)**	**77,037**	**(15,779)**	**61,258**
Balance at 01.01.2020	**144,099**	**(25)**	**(74,122)**	**(3,892)**	**5**	**18,301**	**(1,133)**	**83,233**	**(13,139)**	**70,094**
Loss net of tax	–	–	(1,894)	–	–	–	–	**(1,894)**	45	**(1,849)**
Other comprehensive income:										
Items that will not be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	–	–	–	–	**–**	103	**103**
Items that are or may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	653	–	–	–	**653**	–	**653**
Share of other comprehensive income of associates	–	–	–	261	–	–	–	**261**	–	**261**
Total comprehensive income/(loss) for the period	**–**	**–**	**(1,894)**	**914**	**–**	**–**	**–**	**(980)**	**148**	**(832)**
Balance at 30.06.2020	**144,099**	**(25)**	**(76,016)**	**(2,978)**	**5**	**18,301**	**(1,133)**	**82,253**	**(12,991)**	**69,262**

The Company	Share capital	Treasury shares	Accumula -ted losses	Other reserves	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 01.01.2021	**144,099**	**(25)**	**(67,176)**	**(157)**	**76,741**
Profit for the period	–	–	283	–	283
Total comprehensive income for the period	–	–	283	–	283
Balance at 30.06.2021	**144,099**	**(25)**	**(66,893)**	**(157)**	**77,024**
Balance at 01.01.2020	**144,099**	**(25)**	**(70,899)**	**(157)**	**73,018**
Loss for the period	–	–	(179)	–	(179)
Total comprehensive loss for the period	–	–	(179)	–	(179)
Balance at 30.06.2020	**144,099**	**(25)**	**(71,078)**	**(157)**	**72,839**

	Group	
	6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Cash flows from operating activities:		
Loss before tax	(692)	(1,727)
Adjustments for:		
Allowance for slow moving inventories	310	–
Amortisation of intangible assets	68	68
Depreciation of property, plant and equipment	981	996
Depreciation of right-of-use assets	137	178
Gain on disposal of property, plant and equipment	(1)	–
Impairment loss on doubtful receivables	291	–
Implicit interest income	(2)	(2)
Interest expense	585	579
Interest income	(49)	(15)
Writeback of impairment loss on doubtful receivables	(5)	(18)
Share of results of associates	(475)	(541)
Foreign currency exchange gain	(69)	(108)
Operating cash flows before changes in working capital	**1,079**	**(590)**
(Increase)/decrease in:		
Inventories	5,661	(3,004)
Trade and other receivables	8,671	5,420
Advance payment to suppliers	(956)	(1,051)
Prepayments	15	(105)
Deposits	–	6
Amounts due from associates	1	–
(Decrease)/increase in:		
Trade and other payables	(3,548)	(3,063)
Contract liabilities	280	2,379
Amount due to related parties	(63)	(159)
Provision for post employment benefits	(46)	–
Cash flows generated from/(used in) operations	**11,094**	**(167)**
Income taxes paid	(126)	(149)
Interest income received	195	120
Net cash flows generated from/(used in) operating activities	**11,163**	**(196)**
Cash flows from investing activities:		
Interest income received	2	4
Loan to investee company	(198)	–
Proceeds from disposal of property, plant and equipment	1	–
Purchase of property, plant and equipment	(39)	(220)
Net cash flows used in investing activities	**(234)**	**(216)**

	Group	
	6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Cash flows from financing activities:		
Interest expense paid	(543)	(541)
Proceeds from/(repayments of) bank overdrafts	763	(997)
Drawdown of term loans	607	5,951
Repayment of term loans	(2,356)	(2,251)
Drawndown in trust receipts	12,491	11,684
Repayments in trust receipts	(23,147)	(14,831)
Repayments of lease liabilities – principal	(104)	(154)
Repayments of lease liabilities – interest	(93)	(98)
Net cash used in financing activities	**(12,382)**	**(1,237)**
Net decrease in cash and cash equivalents	(1,453)	(1,649)
Effect of exchange rate changes on cash and cash equivalents	80	87
Cash and cash equivalents at beginning of period	6,844	7,160
Cash and cash equivalents at end of the period	**5,471**	**5,598**

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

	Group 6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Cash and cash equivalents at the end of the period:		
Cash and bank balances and fixed and bank deposits	6,919	6,993
Less: Bank deposits pledged	(1,448)	(1,395)
Cash and cash equivalents	**5,471**	**5,598**

1. Corporate information

Federal International (2000) Ltd (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST"). These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the "Group").

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar ("S$") which is the Company's functional currency and all values in the tables are rounded to the nearest thousand (S$'000) as indicated.

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

The adoption of the new standards that are effective on 1 January 2021 did not result in any substantial change to the Group's and Company's accounting policies or have any significant impact on the condensed interim financial statements.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The critical judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

I. Trading segment is a supply of assembly and distribution of flowline control products, distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, provision of complete fire protection and detection systems, as well as electrical products for the marine, coal mining, oil and gas, petrochemical and pharmaceutical industries. In these respects, the Group offers products and related services in the areas of oil and gas, power, petrochemical and pharmaceutical industries.

II. Manufacturing/Design/Research and Development segment is involved in research, development, design and manufacture of flowline control products, high pressure and temperature valves and related oilfield products.

III. Marine Logistics segment is in the business of chartering of vessels to the offshore oil and gas and other related industries.

IV. Energy and Utilities segment is involved in procurement and construction projects of waste water treatment facility and provision of wastewater treatment services to the end-users.

V. Resources segment is in the business of sales and mining of coal and other natural resources.

VI. Corporate and Others segment is involved in Group level corporate services and treasury functions and operating and maintenance of oil and gas facility services.

Geographical Information

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Others include countries such as Malaysia, Philippines, United Kingdom, United States of America, etc.

Non-current assets consist of property, plant and equipment, investment properties, right-of-use assets, investment in associates and joint venture and intangible asset as presented in the Group's balance sheets.

4. Segment information (cont'd)

4.1 Business segments

Analysis by Business segments	Trading		Manufacturing/ Design/Research and Development		Marine Logistics		Energy and Utilities		Resources		Corporate / Others		Elimination		Group	
	6 Months Ended															
S$'000	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Revenue:																
External customers	**27,180**	28,025	**768**	1,377	–	–	**872**	683	**–**	–	–	–	**–**	–	**28,820**	30,085
Intersegment sales	**11**	178	**126**	913	–	–	**–**	–	**–**	–	**1,440**	1,440	**(1,577)**	(2,531)	**–**	–
Total revenue	**27,191**	28,203	**894**	2,290	–	–	**872**	683	–	–	**1,440**	1,440	**(1,577)**	(2,531)	**28,820**	30,085
Result:	**1,231**	356	**(33)**	10	**859**	1,812	**(23)**	51	**(343)**	51	**(384)**	(905)	**(196)**	(1,884)	**1,111**	(509)
Depreciation & amortisation	**(693)**	(764)	**(75)**	(72)	–	(2)	**(2)**	(2)	**–**	–	**(507)**	(524)	**91**	122	**(1,186)**	(1,242)
Other non-cash income/(expense)	**(548)**	45	**(10)**	–	–	–	–	–	–	–	–	–	–	–	**(558)**	45
Finance costs	**(690)**	(673)	**(16)**	(21)	**–**	(6)	**–**	–	**–**	–	**–**	–	**121**	121	**(585)**	(579)
Interest income															**51**	17
Share of results of associates															**475**	541
Loss before tax															**(692)**	(1,727)
Income tax expense															**(397)**	(122)
Loss net of tax															**(1,089)**	(1,849)

4. Segment information (cont'd)

4.1 Business segments (cont'd)

Analysis by Business Segments	Trading		Manufacturing/ Design/ Research and Development		Marine Logistics		Energy and Utilities		Resources		Corporate/Others		Elimination		Group	
	6 Months Ended															
S$'000	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Assets:	**105,635**	129,574	**2,310**	2,669	**13,362**	21,302	**4,459**	8,066	**–**	–	**96,855**	98,921	**(129,954)**	(154,541)	**92,667**	105,991
Investment in associates & joint venture	**–**	59	**–**	–	**7,047**	5,993	**–**	–	**–**	–	**1,391**	1,532	**–**	–	**8,438**	7,584
Unallocated assets															**2,076**	835
Total assets															**103,181**	114,410
Liabilities:	**(74,745)**	(77,290)	**(6,513)**	(6,521)	**(86,450)**	(88,650)	**(12,768)**	(12,197)	**(54,023)**	(54,822)	**(53,685)**	(58,727)	**248,569**	255,225	**(39,615)**	(42,982)
Unallocated liabilities															**(2,308)**	(2,166)
Total liabilities															**(41,923)**	(45,148)
Other segment information:																
Additions to non-current assets:																
- PPE [1]	**15**	70	**22**	10	**–**	–	**2**	–	**–**	–	–	140	**–**	–	**39**	220
- ROU assets [2]	**6**	1	–	–	–	–	**–**	–	**–**	–	**–**	–	**–**	–	**6**	1

[1] Properties, plant and equipment
[2] Rights-of-use assets

4. Segment information (cont'd)

4.2 Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

Analysis by Geographical Segments	Revenue		Non-current Assets	
	6 Months Ended			
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	S$'000	S$'000	S$'000	S$'000
Indonesia	1,151	2,889	9,581	9,843
Japan	52	26	1,391	1,532
People's Republic of China	6,765	17,461	17	14
Singapore	5,467	3,705	28,700	30,347
Thailand	13,079	581	–	12
Vietnam	623	3,017	–	–
Others	1,683	2,406	540	598
	28,820	**30,085**	**40,229**	**42,346**

Others include countries such as Malaysia, Philippines, United Kingdom, United States of America, etc.

5. Revenue

	6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Point in time		
Sale of products	28,427	29,833
Overtime		
Service concession income	287	252
Provision of wastewater treatment services	106	–
	28,820	30,085

Sale of products include trading of flowline control products, fire detection and protection systems, and environmental protection system.

6. Loss before tax

The following items have been included in arriving at loss before tax:

	6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Other income		
Gain on disposal of property, plant and equipment	1	–
Implicit interest income	2	2
Interest income	49	15
Other rental income	108	108
Rental income from investment properties	123	113
Grant income	291	543
Sundry income	312	265
	886	1,046
Other operating expenses		
Allowance for slow moving inventories	(310)	–
Bad debts recovered	96	29
Foreign currency exchange loss	(118)	(137)
Inventories written off	(58)	(1)
Other expenses	(12)	(64)
	(402)	(173)
Selling and distribution costs		
Depreciation of property, plant and equipment	(13)	(15)
Administrative and general costs		
Amortisation of intangible assets	(68)	(68)
Depreciation of property, plant and equipment	(968)	(981)
Depreciation of right-of-use assets	(137)	(178)
Net (impairment loss) / writeback of impairment loss on financial assets		
Impairment loss on receivables (current)	(291)	–
Write back of impairment loss on receivables (current)	5	18
	(286)	18
Finance costs		
Interest expense on:		
- Bank overdrafts	(93)	(66)
- Term loans	(259)	(284)
- Trust receipts	(140)	(132)
- Lease liabilities	(93)	(97)
	(585)	(579)

7. Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated income statement are:

	Group	
	6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Current income tax		
- Current income taxation	–	111
- Under provision in respect of previous years	385	10
	385	121
Deferred income tax		
- Origination and reversal of temporary differences	12	1
Income tax expense recognised in income statement	397	122

8. Loss per share

Basic loss per share is calculated by dividing loss net of tax attributable to owners of the Company by the weighted average number of ordinary shares on issue (excluding treasury shares) during the financial period.

As at 30 June 2021 and 30 June 2020, diluted loss per share is similar to basic loss per share as there were no potential dilutive ordinary shares.

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the financial period ended 30 June:

	Group	
	6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Loss net of tax attributable to owners of the Company used in the computation of loss per share	(1,050)	(1,894)
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares on issue (excluding treasury shares) for loss per share computation	140,667	140,667

9. Related party transactions

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the interim condensed financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial period:

	Group	
	6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Advances from a director of the Company	20	–
Rental paid to a director of certain subsidiaries	(19)	(18)
Repayments of amount owing to a director of certain subsidiaries	(83)	(159)
Secretarial fee paid to a director-related firm	–	(16)
Professional fees paid to a director-related firms	(13)	(17)

Company/firm related to the directors

During the current financial period, corporate and secretarial services were provided by an entity where one of the independent directors of the Company is also the director of the secretarial and professional entity.

(b) Compensation of key management personnel

	Group	
	6 Months Ended	
	30.06.2021	30.06.2020
	S$'000	S$'000
Directors' fees	95	118
Short-term employee benefits	785	910
Defined contributions	39	45
Other short-term benefits	28	45
Total compensation paid to key management personnel	947	1,118
Comprise of amounts paid to:		
Directors of the Company	616	731
Other key management personnel	331	387
	947	1,118

10. Property, plant and equipment

During the financial period ended 30 June 2021, the Group acquired assets amounting to S$39,000 (30 June 2020: S$220,000) and disposed of assets amounting to net book value of S$Nil (30 June 2020: S$Nil).

10. Property, plant and equipment (cont'd)

10.1. Revaluation of leasehold buidings

Leasehold buildings relate to a single-storey detached factory situated at 12 Chin Bee Drive on leasehold land of 7,146.3 square metres and a single-storey factory situated at 11 Tuas Avenue 1 on a leasehold land area of 4,701.4 square metres. The lease tenure of the leasehold land is 30 years effective October 2013 and 22 years effective November 2012, respectively.

The fair values of the Group's leasehold buildings were determined based on the properties' highest and best use by an external valuer using direct comparison with recent transactions of comparable properties within the vicinity at 31 December 2020. Adjustments were made for differences in location, land area, floor area, floor loading, ceiling height, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and the prevailing market conditions amongst other factors affecting its value, with consideration on the impact of COVID-19 pandemic. Management assessed and concluded that the fair values of the Group's leasehold buildings as at 30 June 2021 have not changed significantly since 31 December 2020.

The fair value measurement is categorised under Level 3 of the fair value hierarchy.

The Group's leasehold buildings with carrying amounts of S$13,288,000 (31 December 2020: S$13,650,000) are mortgaged to secure banking facilities and bank loans of certain subsidiaries (Note 16).

11. Investment properties

	Group	
	30.06.2021	**31.12.2020**
	S$'000	**S$'000**
Beginning of financial year and end of the interim period	11,500	11,500

The investment properties are mortgaged to secure banking facilities and bank loans (Note 16).

11.1 Fair value of investment properties

Investment properties held by the Group relate to freehold land and buildings, consisting of two 3-storey terrace factories situated at 47 and 49 Genting Road on freehold land of 810.9 square metres.

The fair values of the Group's investment properties were determined based on the properties' highest and best use by an external valuer using market comparison approach at 31 December 2020.

For market comparison approach, fair value was computed using recent transactions of comparable properties, prevailing market condition and underlying economic factors which may influence the trend of the market values, with consideration on the impact of COVID-19 pandemic. Management assessed and concluded that the fair values of the Group's investment properties as at 30 June 2021 have not changed significantly since 31 December 2020.

The fair value measurement is categorised under Level 3 of the fair value hierarchy.

12. Intangible assets

	Group		
	Goodwill	Development costs	Total
	S$'000	S$'000	S$'000
At 31 December 2020			
Cost	1,044	2,061	3,105
Accumulated amortisation and impairment loss	(1,044)	(1,379)	(2,423)
Net carrying amount	–	682	682
6 months ended 30 June 2021			
Opening carrying amount	–	682	682
Amortisation charge	–	(68)	(68)
Impairment loss [see below (a) and (b)]	–	–	–
Exchange difference	–	(1)	(1)
Closing net carrying amount	–	613	613

(a) Impairment testing of goodwill

Goodwill arising from business combinations that was allocated to Manufacturing/Design/Research and Development segment, a single cash-generating unit ("CGU") which is also a reportable operating segment, has been fully impaired.

(b) Impairment testing of development costs

Development costs relate to testing and design development projects/prototypes.

At 31 December 2020, the development costs amounting to S$696,000 relating to the second phase of a developing project has been fully impaired, as the Group expects delay in completing the development due to COVID-19 pandemic.

Management has reviewed and is of the opinion that there is no further indication of impairment since 31 December 2020.

13. Financial assets at fair value through other comprehensive income ("FVOCI")

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	S$'000	S$'000	S$'000	S$'000
Equity investments designated at FVOCI				
Unquoted equity shares	381	381	381	381

The investments represent investments in unquoted equity shares in 2 companies incorporated in Indonesia, which are not held for trading. Accordingly, management has elected to designate these investments in equity shares at fair value through other comprehensive income. It is the Group's strategy to hold these investments for long-term purposes.

The fair value of the unquoted equity share is determined by reference to the equity value of an investee company. As at 31 December 2020, the equity value of the investee company is determined by the external valuer based on discounted cash flow analysis from forecast provided by the investee company covering a three-year period, with consideration on the impact of COVID-19 pandemic.

13. Financial assets at fair value through other comprehensive income ("FVOCI") (cont'd)

Management has reviewed the projections of the investee company and an update from the external valuer on the key parameters applied in determining the valuation of the investee company as at 30 June 2021 where no material variation were found.

No fair value adjustment was made as at 30 June 2021 (31 December 2020: S$Nil) based on the fair value of the unquoted equity share.

These investments are categorised under Level 3 fair value hierarchy.

14. Other receivables (non-current)

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	S$'000	S$'000	S$'000	S$'000
Deposits	86	82	–	–
Loan to a shareholder of an investee company	13,022	13,022	13,022	13,022
Less: impairment loss	(2,000)	(2,000)	(2,000)	(2,000)
	11,108	11,104	11,022	11,022

The loan to a shareholder of an investee company, as disclosed in Note 13, PT Gunanusa Utama Fabrication ("PTG"), is secured by the shareholder's shares of the investee company, bears interest at 7% (31 December 2020: 7%) per annum and is repayable in financial year ending 2023 (31 December 2020: 2021).

Management assessed the loan to a shareholder of an investee company for impairment using the expected credit loss model and took into consideration the fair value of the pledged shares. No further impairment loss was made as at 30 June 2021 (31 December 2020: S$Nil) based on the fair value of the pledged shares.

The fair value of the pledged shares is determined by reference to the equity value of the investee company based on valuation performed by an external valuer using income approach.

Management has reviewed the projections of the investee company and an update from the external valuer on the key parameters applied in determining the valuation of the investee company as at 30 June 2021 where no material variation were found.

15. Trade receivables

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 30 June 2021 and 31 December 2020 are set out in the provision matrix below:

Group	Weighted average loss rate %	Gross carrying amount S$'000	Credit loss allowance S$'000	Net carrying amount S$'000
30 June 2021				
Current (not past due)	1.6	3,553	(57)	3,496
1 – 120 days past due	0.9	4,296	(37)	4,259
More than 120 days past due	46.2	21,461	(9,907)	11,554
		29,310	(10,001)	19,309
31 December 2020				
Current (not past due)	0.3	9,060	(32)	9,028
1 – 120 days past due	1.0	9,937	(99)	9,838
More than 120 days past due	51.9	18,955	(9,836)	9,119
		37,952	(9,967)	27,985

16. Amounts due to banks and Term loans

	Group	
	30.06.2021	31.12.2020
	S$'000	S$'000
Amounts due to banks		
Amount repayable within one year or less, or on demand		
Bank overdrafts, unsecured [(a)]	33	–
Bank overdrafts, secured	3,427	2,697
Trust receipts, secured	5,436	16,050
	8,896	18,747
Term loans		
Amount repayable within one year or less, or on demand		
Term loan, secured	7,687	7,804
Amount repayable after one year		
Term loan, secured	5,874	7,445
Aggregate amounts of Group's borrowings		
Amount repayable within one year or less, or on demand		
Secured	16,550	26,551
Unsecured	33	–
Amount repayable after one year		
Secured	5,874	7,445
Unsecured	–	–

[(a)] included in the Company, bank overdrafts amounted to S$33,000 (31 December 2020: Nil).

16. Amounts due to banks and Term loans (cont'd)

16.1 Securities

The Group's bank overdrafts, trust receipts and term loans are secured on:

(i) legal mortgage on the Group's leasehold buildings (Note 10);
(ii) legal mortgage on the Group's investment properties (Note 11);
(iii) bank deposits pledged by the Company;
(iv) corporate guarantee by the Company ;
(v) Standby Letter of Credit issued by financial institution and guaranteed by related companies; and
(vi) personal guarantee and pledge of real property by a director of a subsidiary.

17. Share capital and Treasury shares

	Group and Company			
	30.06.2021		31.12.2020	
	Number of shares	Amount	Number of shares	Amount
	'000	S$'000	'000	S$'000
Share capital				
Issued and fully paid ordinary shares				
Beginning and end of interim period / financial year	140,767	144,099	140,767	144,099
Treasury shares				
Beginning and end of interim period / financial year	(100)	(25)	(100)	(25)
Total number of issued shares excluding treasury shares as at end of interim period / financial year	140,667		140,667	

The Company did not issue any ordinary shares during the 6 months ended 30 June 2021.

The Company did not have any convertible securities as at 30 June 2021 (30 June 2020: Nil).

There were a total of 100,000 treasury shares held as at 30 June 2021 (30 June 2020: 100,000). There were no sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no subsidiary holdings as at 30 June 2021 (30 June 2020: Nil). There were no sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

18. Fair value measurement

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table shows an analysis of each class of assets measured at fair value at the balance sheet date:

	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
30 June 2021				
Group				
Non-financial assets				
Property, plant and equipment				
- Leasehold buildings	–	–	13,288	13,288
Investment properties	–	–	11,500	11,500
Financial assets at FVOCI				
Unquoted equity shares	–	–	381	381
Company				
Financial assets at FVOCI				
Unquoted equity shares	–	–	381	381
31 December 2020				
Group				
Non-financial assets				
Property, plant and equipment				
- Leasehold buildings	–	–	13,650	13,650
Investment properties	–	–	11,500	11,500
Financial assets at FVOCI				
Unquoted equity shares	–	–	381	381
Company				
Financial assets at FVOCI				
Unquoted equity shares	–	–	381	381

19. Categories of Financial assets and financial liabilities

Set out below are the carrying amounts of the Group's and Company's financial assets and financial liabilities as at 30 June 2021 and 31 December 2020:

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	S$'000	S$'000	S$'000	S$'000
Financial assets				
At fair value through other comprehensive income	381	381	381	381
At amortised cost	46,673	56,158	20,553	20,044
At cost	–	–	12,853	12,808
	47,054	56,539	33,787	33,233
Financial liabilities				
At amortised cost	36,768	51,695	1,497	1,499
At cost	–	–	15,653	15,387
	36,768	51,695	17,150	16,886

20. Net Asset Value

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	cents	cents	cents	cents
Net asset value per ordinary share	54.77	55.35	54.76	54.55

Net asset value per share is calculated based on the number of ordinary shares on issue (excluding treasury shares) of 140,667,484 as at 30 June 2021 (31 December 2020: 140,667,484).

21. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

1. Review

The condensed consolidated statement of financial position of Federal International (2000) Ltd and its subsidiaries as at 30 June 2021 and the related condensed consolidated income statement and other comprehensive income, condensed statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed by the Company's auditor.

2. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is material uncertainty relating to going concern.

None.

3. 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.

CONSOLIDATED INCOME STATEMENT

1H2021 versus 1H2020

Overview
The Group recorded a net loss attributable to shareholders of $1.1 million (1H2020: $1.9 million) and loss per ordinary share of 0.75 cents (1H2020: 1.35 cents) in 1H2021.

Revenue
Revenue of $28.8 million in 1H2021 was 4.2% lower than the revenue in 1H2020 of $30.1 million. This was mainly due to lower revenue registered by the Group's trading operation in China and Indonesia, partially offset by higher revenue of the trading operation in Singapore.

Gross profit
Gross profit of $6.1 million in 1H2021 was 25.0% higher than 1H2020 of $4.8 million. The increase was mainly due to higher gross profit margin of 21.0% (1H2020: 16.1%) in 1H2021. The higher portion of revenue from the trading operation in Singapore (which made up more than half of the Group's revenue for the period), was of higher margin.

Other income
Other income of $0.9 million in 1H2021 (1H2020: $1.0 million) comprises mainly Jobs Support Scheme ("JSS") payout of $291,000 and rental income.

Selling and distribution costs
Selling and distribution costs of $2.6 million in 1H2021 were 2.8% lower than the costs incurred in 1H2020 of $2.7 million mainly due to lower marketing and sales related expenses in line with lower revenue for the period.

Administrative and general costs
Administrative and general costs of $4.2 million in 1H2021 were 10.9% lower compared to the costs incurred in 1H2020 of $4.7 million mainly due to lower salary and other staff related costs.

Other operating expenses
Other operating expenses in 1H2021 amounted to $402,000 as compared to $173,000 in 1H2020. Other operating expenses in 1H2021 mainly comprised allowance for slow moving inventories and foreign currency exchange loss.

Net (impairment loss) / writeback of impairment loss on financial assets
The Group incurred an impairment loss on financial assets of $286,000 for the period (1H2020: write-back of $18,000).

Finance costs
Finance costs of $585,000 in 1H2021 were marginally higher than the costs incurred in 1H2020 of $579,000. Higher interest on bank overdrafts was partially offset by lower term loans interest expense.

Share of results of associates
The Group's share of results of associates of $475,000 in 1H2021 (1H2020: $541,000) were mainly due to higher profits reported by the Group's associated companies in Indonesia, whereas the associated company in Japan reported a loss during the period.

Income tax expense
The Group recorded a tax expense of $397,000 (1H2020: $122,000) in 1H2021 mainly due to additional prior year tax assessed.

STATEMENT OF FINANCIAL POSITION FOR THE GROUP

Net assets attributable to owners of the Company
As at 30 June 2021, the net assets attributable to owners of the Company amounted to $77.0 million, which translates to a net asset value per ordinary share of 54.77 cents.

Non-current assets
Non-current assets decreased by $747,000 to $53.8 million (31 December 2020: $54.5 million). The decrease was mainly due to: -

a) Decrease in property, plant and equipment, intangible assets and right-of-use assets as a result of depreciation and amortisation.

The above is partially offset by: -

b) Increase in investment in associates of $514,000 as a result of share of associates' result for the period as well as movement in the foreign currency translation reserve arising from foreign currency exchange fluctuations.

Current assets
Current assets decreased by $14.7 million to $49.4 million (31 December 2020: $64.0 million). The decrease was mainly due to: -

a) Decrease in inventories of $5.9 million due to delivery of products to customers;
b) Decrease in trade receivables of $8.7 million due to receipts from customers;
c) Decrease in cash and bank balances of $1.3 million mainly due to settlement of term loans and trust receipts due to banks.

Current liabilities
Current liabilities decreased by $12.8 million to $30.8 million (31 December 2020: $43.6 million). The decrease was mainly due to: -

a) Decrease in trade and other payables of $3.3 million mainly due to settlement of trade and other payables;
b) Decrease in amounts due to banks of $9.9 million due to settlement of trust receipts due to banks;

Non-current liabilities
Non-current liabilities decreased by $1.7 million to $11.1 million (31 December 2020: $12.8 million) mainly due to the instalment repayment of term loans.

STATEMENT OF FINANCIAL POSITION FOR THE COMPANY

Non-current assets
Non-current assets increased marginally by $106,000 to $88.6 million (31 December 2020: $88.5 million) due mainly to an increase in investment in subsidiaries arising from translation gain as a result of foreign currency exchange on loans to subsidiaries.

Current assets
Current assets increased by $433,000 to $5.8 million (31 December 2020: $5.3 million). The increase was mainly due to an increase in amounts due from subsidiaries and other receivables.

Current liabilities
Current liabilities decreased marginally by $10,000 to $1.6 million (31 December 2020: $1.6 million). The decrease was mainly due to a decrease in amounts due to subsidiaries.

Non-current liabilities
Non-current liabilities increased by $266,000 to $15.7 million (31 December 2020: $15.5 million) due to an increase in amounts due to subsidiaries arising from translation loss as a result of foreign currency exchange.

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 30 June 2021, the Group's cash and cash equivalents, excluding bank deposits pledged, amounted to $5.5 million. For the 6 months ended 30 June 2021, operating activities generated cash of $11.2 million, investing activities utilised cash of $234,000 and financing activities utilised cash of $12.4 million.

The net cash generated from operating activities was mainly due to positive operating cash flows and working capital movement of decrease in inventories and trade and other receivables partially offset by a decrease in trade and other payables.

The net cash used in investing activities was mainly due to loan to investee company.

The net cash used in financing activities was mainly due to the net decrease in amount owing to banks.

4. 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.

5. 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's business environment continues to be challenging. Regional markets that the Group operates in continues to be impacted by the ongoing Covid-19 pandemic. While the Group experienced an increase in enquiries, we remain cautious and are working towards securing projects.

The Group will continue its cost reduction initiatives to manage its competitiveness and financial position.

6. 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.

7. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividends have been declared or recommended as the Group does not have the prerequisite retained earnings needed to declare a dividend.

8. Interested Person Transactions

The Company does not have a shareholders' mandate for interested person transactions ("IPT").

The aggregate value of all IPTs during the financial period under review is less than S$100,000.

9. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Koh Kian Kiong
Executive Chairman & CEO

Maggie Koh
Executive Director

Singapore
12 August 2021