

Full Year Financial Statement And Dividend Announcement for the Year Ended 31 December 2009

FEDERAL INTERNATIONAL (2000) LTD

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	<-----Group----->			<-----Group----->		
	S\$ ' 000		Change	S\$ ' 000		Change
	3 months ended	3 months ended		Year ended	Year ended	
	Dec 09	Dec 08	Dec 09	Dec 08		
Revenue	63,402	67,502	-6.07%	206,752	200,525	3.11%
Cost of sales	(54,798)	(49,092)	11.62%	(162,581)	(142,570)	14.04%
Gross profit	8,604	18,410	-53.26%	44,171	57,955	-23.78%
Other income	9,376	3,404	175.44%	12,914	5,047	155.87%
Selling and Distribution costs	(18,716)	(20,271)	-7.67%	(37,257)	(33,382)	11.61%
Administrative and General costs	(19,082)	(4,584)	316.27%	(28,951)	(18,156)	59.46%
Finance costs	(2,302)	(2,044)	12.62%	(7,826)	(4,873)	60.60%
Share of results of associates	1,227	(8)	-15437.50%	1,434	668	114.67%
(Loss)/Profit before income tax	(20,893)	(5,093)	310.23%	(15,515)	7,259	-313.73%
Taxation	(1,051)	721	-245.77%	(3,326)	(3,410)	-2.46%
(Loss)/Profit after tax	(21,944)	(4,372)	401.92%	(18,841)	3,849	-589.50%
Other comprehensive (expense)/income						
Net gain on fair value of financial derivative instruments	-	(71)	-100.00%	352	25	1308.00%
Foreign currency translation	(1,715)	305	-662.30%	(3,253)	735	-542.59%
Other comprehensive (expense)/ income for the year	(1,715)	234	-832.91%	(2,901)	760	-481.71%
Total comprehensive (expense)/ income for the year	(23,659)	(4,138)	471.75%	(21,742)	4,609	-571.73%

(Loss)/Profit attributable to:

Owners of the parent	(15,592)	(5,484)	184.32%	(11,531)	1,256	-1018.07%
Minority Interests	(6,352)	1,112	-671.22%	(7,310)	2,593	-381.91%
	<u>(21,944)</u>	<u>(4,372)</u>	401.92%	<u>(18,841)</u>	<u>3,849</u>	-589.50%

Total comprehensive (expense)/income attributable to:

Owners of the parent	(15,759)	(5,269)	199.09%	(12,445)	1,760	-807.10%
Minority Interests	(7,900)	1,131	-798.50%	(9,297)	2,849	-426.33%
	<u>(23,659)</u>	<u>(4,138)</u>	471.75%	<u>(21,742)</u>	<u>4,609</u>	-571.73%

(Loss)/Profit from operating activities included the followings:

Interest income	-	(976)	-100.00%	(1,174)	(1,803)	-34.89%
Interest on borrowings	3,250	2,044	59.00%	7,826	4,873	60.60%
Depreciation and amortisation	3,839	2,001	91.85%	11,935	6,549	82.24%
Impairment loss on doubtful receivables	236	751	-68.58%	3,830	415	822.89%
Bad debts written off	11,665	65	NM	11,671	64	NM
(Reversal of)/allowance for obsolete inventories	(420)	1,031	-140.74%	(270)	1,181	-122.86%
Impairment loss on other asset	11,902	-	NM	11,902	-	NM
Impairment loss on property, plant and equipment	2,809	-	NM	2,809	-	NM
Foreign exchange (gain)/loss	(441)	10,477	-104.21%	3,092	14,251	-78.30%
Gain on disposal in investment in associated companies	-	-	NM	-	(209)	NM
Gain on dilution of interest in a subsidiary company	-	(1,414)	NM	-	(1,414)	NM
Loss on disposal in investment in a Subsidiary company	1,905	-	NM	1,905	-	NM
Gain on disposal of property, plant and equipment	(12,060)	(4)	NM	(12,057)	(57)	21052.63%
(Gain)/loss on fair value adjustment on forward currency contracts	(6)	1,213	-100.49%	(1,081)	5,301	-120.39%

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

Group		Company	
S\$ ' 000		S\$ ' 000	
Dec 09	Dec 08	Dec 09	Dec 08

Non-current assets

Property, plant and equipment	124,616	145,348	30	27
Subsidiary companies	-	-	60,209	62,330
Associated companies	11,401	11,066	8,422	9,058
Intangible assets	1,128	1,172	-	-
Other assets	10,000	846	-	-
Other investments	20	20	-	-
Other receivables	368	1	-	-
Finance lease receivables	9,440	21,231	-	-
Deferred tax assets	421	602	46	34
	157,394	180,286	68,707	71,449

Current assets

Inventories	39,558	44,483	-	-
Trade receivables	51,342	71,824	-	-
Other receivables	62,216	1,852	71	522
Advance payment to suppliers	21,414	16,672	-	-
Prepayments and deposits	2,993	4,226	74	47
Deferred expenditure	46	6,032	-	-
Finance lease receivables	348	726	-	-
Amounts due from subsidiary companies	-	-	49,752	47,093
Amounts due from associated companies	6,566	5,064	2,883	2,199
Amounts due from related parties	2,913	17,212	-	-
Fixed deposits	402	1,144	-	250
Cash and bank balances	14,340	6,737	387	872
	202,138	175,972	53,167	50,983

Group		Company	
S\$ ' 000		S\$ ' 000	
Dec 09	Dec 08	Dec09	Dec 08

Current liabilities

Trade payables	30,036	19,111	153	-
Progress billings in excess of Construction Work-In-Progress	3,734	-	-	-
Other payables and accruals	24,762	9,698	2,490	1,969
Advances from customers	16,066	21,101	-	-
Deferred revenue	49	15	-	-
Amounts due to subsidiary companies	-	-	941	689
Amounts due to associated companies	78	228	-	-
Amounts due to related parties	2,296	2,467	-	-
Amounts due to bankers	41,192	66,884	-	-
Term loans	69,075	33,610	3,483	17,298
Hire purchase creditors	2,521	1,672	-	-
Derivative financial instruments	-	8,830	-	-
Provision for taxation	4,167	4,902	1,589	754
	193,976	168,518	8,656	20,710

Net current assets

8,162	7,454	44,511	30,273
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Non-current liabilities

Term loans	47,809	63,637	-	-
Hire purchase creditors	2,315	2,947	-	-
Provision for post employment benefits	93	81	-	-
Deferred tax liabilities	2,077	220	-	-
	52,294	66,885	-	-

Net assets

113,262	120,855	113,218	101,722
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	Group		Company	
	S\$ ' 000		S\$ ' 000	
	Dec 09	Dec 08	Dec 09	Dec 08
Equity attributable to equity holders of the parent				
Share capital	94,929	79,208	94,929	79,208
Foreign currency translation reserve	(2,399)	(1,133)	-	-
Capital reserve	2,775	2,773	-	-
Revaluation reserve	1,030	1,030	-	-
Hedging reserve	-	(352)	-	-
Revenue reserve	14,663	27,768	18,289	22,514
	110,998	109,294	113,218	101,722
Minority interests	2,264	11,561	-	-
Total equity	113,262	120,855	113,218	101,722

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.
Amount repayable in one year or less, or on demand**

As at 31 December 2009		As at 31 December 2008	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
95,182	17,606	55,850	46,316

Amount repayable after one year

As at 31 December 2009		As at 31 December 2008	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
37,712	12,412	64,721	1,863

Details of any collateral

The Group's secured borrowings comprised term loans and trust receipts which are secured by way of the subsidiary companies' properties at 11 Tuas Avenue 1, Singapore 639496 and at 12 Chin Bee Drive Singapore 619868, as well as, the subsidiary companies' vessels, Federal I, Federal II and anchor handling tug and co-generation plant and land rig.

Subsequent to year end, proceeds of US\$35.0 million from the sale of the entire 65% stake in GLN, land rig and settlement of intercompany debts was received and was used to repay the bank loans and trust receipts and bill payables. Therefore, the Group's secured and unsecured borrowings repayable in one year or less are reduced and the land rig is discharged accordingly.

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

	<u>Oct - Dec</u> <u>2009</u>	<u>Oct - Dec</u> <u>2008</u>	<u>Jan- Dec</u> <u>2009</u>	<u>Jan- Dec</u> <u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash flows from operating activities:				
Operating (loss)/profit before taxation	(20,893)	(5,093)	(15,515)	7,259
Add / (Less) :				
Amortisation of deferred expenditure	257	249	1,073	485
Amortisation of intangible assets	14	27	55	122
Amortisation of other assets	581	77	954	77
Write off of investment in associated company	36	-	36	-
Write off of negative goodwill	-	(138)	-	(138)
Depreciation of property, plant and equipment	2,987	1,648	9,853	5,865
Loss on property, plant and equipment written off	-	36	2	36
Loss on disposal of investment in subsidiary company	1,905	-	1,905	-
Impairment loss on other asset	11,902	-	11,902	-
Impairment loss on property, plant and equipment	2,809	-	2,809	-
Gain on dilution of interest in subsidiary company	-	(1,414)	-	(1,414)
(Gain)/loss on fair value adjustment of forward currency contracts	(6)	1,213	(1,081)	5,301
Loss on disposal of investment in other investment	-	-	-	56
Gain on disposal in investment in associated companies	-	-	-	(209)
Gain on disposal of property, plant and equipment	(12,060)	(4)	(12,057)	(57)
Interest income	-	(976)	(1,174)	(1,803)
Interest expense	3,250	2,044	7,826	4,873
Impairment loss on doubtful receivables	236	751	3,830	415
Bad debts written off	11,665	65	11,671	64
(Reversal of)/allowance for obsolete inventories	(420)	1,031	(270)	1,181
Inventories written off	-	-	-	154
Share of results of associates	(1,227)	8	(1,434)	(668)
Operating income/(loss) before reinvestment in working capital	1,036	(476)	20,385	21,599

Inflow / (Outflow) :				
Decrease/(increase) in inventories	2,734	(2,467)	5,195	(12,017)
(Increase)/decrease in trade receivables	(12,405)	(25,192)	4,996	(39,752)
(Increase)/decrease in lease payment receivables	(9,788)	163	(9,732)	610
(Increase)/decrease in other receivables	(59,571)	464	(60,733)	1,547
Decrease/(increase) in advance payments to suppliers	184	(2,049)	(5,725)	(13,605)
Decrease/(increase) in prepayments and deposits	3,003	4,456	1,234	(3,389)
Decrease/(increase) in deferred expenses	5,248	(1,255)	3,945	(6,714)
Decrease in project in progress	-	1,014	-	-
Increase in amounts due from associated companies	(537)	(237)	(963)	(86)
Decrease/(increase) in amounts due from related parties	6,330	(10,363)	4,087	(8,773)
Increase in trade payables	12,071	7,609	10,925	1,840
Increase in Progress billings in excess of construction work-in-progress	3,734	-	3,734	-
Increase/(decrease) in other payables	11,951	(3,310)	26,807	(162)
(Decrease)/increase in advances from customers	(5,553)	19,123	(5,036)	16,814
(Decrease)/increase in trust receipts and bills payable	(23,372)	(5,481)	(26,097)	33,670
Increase/(decrease) in deferred revenue	50	(435)	35	(62)
(Decrease)/increase in amounts due to associated companies	(272)	23	(150)	(151)
Increase/(decrease) in amounts due to related parties	17,590	(273)	1,122	550
(Decrease)/increase in provision for post employment benefits	(6)	81	12	81
Cash used in operations	(47,573)	(18,605)	(25,959)	(8,000)
Income taxes refund/(paid)	929	(335)	(1,490)	(2,267)
Interest received	-	892	604	1,920
Interest paid	(3,765)	(2,044)	(7,828)	(4,873)
Net cash used in operating activities	(50,409)	(20,092)	(34,673)	(13,220)
Cash flows from investing activities				
Inflow / (Outflow) :				
Decrease in fixed deposits pledged	-	-	-	8,381
Purchase of property, plant and equipment	(8,420)	(16,886)	(23,728)	(63,207)
Proceeds from disposal of investment in associated companies	-	-	-	2,526
Proceeds from sale of property, plant and equipment	39,328	4	39,733	407
Net cash and cash equivalents from disposal of subsidiary company	787	-	787	-

Increase in intangible assets	-	(4)	-	(4)
Purchase of other assets	-	(923)	-	(854)
Investment in associated companies	-	-	-	(3,403)
Net cash generated from/(used in) investing activities	31,695	(17,809)	16,792	(56,154)
Cash flows from financing activities				
Inflow / (Outflow) :				
Dividend received from associated company	-	-	26	-
Dividend payment in respect of prior year	-	-	(954)	(5,037)
Dividends of subsidiary paid to minority interests	(97)	(234)	(544)	(234)
Increase/(decrease) in secured bank overdrafts	106	4,191	(68)	1,243
Net proceeds from issuance of rights shares	-	-	15,102	-
Proceeds from hire purchase financing	(605)	(419)	(2,220)	(793)
Proceeds from additional term loans	19,390	14,627	12,241	50,869
Capital contribution from minority shareholder of a subsidiary company	-	1,702	-	1,702
Net cash provided by financing activities	18,794	19,867	23,583	47,750
Net currency translation adjustments	539	1,064	687	2,839
Net increase/(decrease) in cash and cash equivalents	619	(16,970)	6,389	(18,785)
Cash and cash equivalents at beginning of year	9,874	21,074	4,104	22,889
Cash and cash equivalents at end of year	10,493	4,104	10,493	4,104

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

	<u>Jan- Dec</u> <u>2009</u> <u>\$'000</u>	<u>Jan- Dec</u> <u>2008</u> <u>\$'000</u>
Cash and fixed deposits	14,742	7,881
Bank overdrafts (unsecured)	(4,249)	(3,777)
Cash and cash equivalents	<u>10,493</u>	<u>4,104</u>

Summary of the effects of disposal of subsidiary

The disposal of certain subsidiary company of Federal International (2000) Ltd has shown as a single item.

The effect on the individual assets and liabilities is set as below:-

	<u>Jan- Dec 2009</u>
	<u>\$'000</u>
Fixed Assets	5,583
Amount due from related parties	10,211
Other current assets	1,951
Cash and cash equivalents	<u>43</u>
	17,788
Trade and other payables	(11,743)
Amount due to related parties	(1,294)
Income tax payable	<u>(543)</u>
Carrying value of net assets	4,208
Less: Minority Interest	<u>(1,473)</u>
	2,735
Profit on disposal	<u>(1,905)</u>
Total consideration	830
Cash and cash equivalents	<u>(43)</u>
Net cash flow on disposal of subsidiary company	<u><u>787</u></u>

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

	Attributable to the owners of the parent							Minority interests	Total equity
	Share capital	Revenue reserves	Foreign currency translation reserve	Capital reserve	Revaluation reserve	Hedging reserve	Total reserves		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group									
At 1 January 2008	79,208	31,549	(1,612)	2,773	1,030	(377)	33,363	8,796	121,367
Total comprehensive income/(expenses) for the period	-	2,463	(3,854)	-	-	(206)	(1,597)	1,205	(392)
At 31 March 2008	79,208	34,012	(5,466)	2,773	1,030	(583)	31,766	10,001	120,975
Total comprehensive income/(expenses) for the period	-	3,168	1,920	-	-	79	5,167	(428)	4,739
Dividends on ordinary shares	-	(5,037)	-	-	-	-	(5,037)	-	(5,037)
Balance as at 30 June 2008	79,208	32,143	(3,546)	2,773	1,030	(504)	31,896	9,573	120,677
Total comprehensive income for the period	-	1,109	2,127	-	-	223	3,459	941	4,400
Balance as at 30 September 2008	79,208	33,252	(1,419)	2,773	1,030	(281)	35,355	10,514	125,077
Total comprehensive income/(expenses) for the period	-	(5,484)	286	-	-	(71)	(5,269)	1,131	(4,138)
Increase in interest in a subsidiary company	-	-	-	-	-	-	-	(138)	(138)
Gain on dilution of interest in a subsidiary company	-	-	-	-	-	-	-	(1,414)	(1,414)
Dividends of subsidiaries paid to minority interest	-	-	-	-	-	-	-	(234)	(234)
Capital contribution from minority shareholders	-	-	-	-	-	-	-	1,702	1,702
Balance as at 31 December 2008	79,208	27,768	(1,133)	2,773	1,030	(352)	30,086	11,561	120,855

	Attributable to the owners of the parent						Minority interests	Total equity	
	Share capital	Revenue reserves	Foreign currency translation reserve	Capital reserve	Revaluation reserve	Hedging reserve			Total reserves
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2009	79,208	27,768	(1,133)	2,773	1,030	(352)	30,086	11,561	120,855
Total comprehensive income for the period	-	3,809	630	-	-	94	4,533	1,212	5,745
At 31 March 2009	79,208	31,577	(503)	2,773	1,030	(258)	34,619	12,773	126,600
Total comprehensive income/(expenses) for the period	-	1,075	(1,439)	-	-	156	(208)	(1,137)	(1,345)
At 30 June 2009	79,208	32,652	(1,942)	2,773	1,030	(102)	34,411	11,636	125,255
Total comprehensive (expenses)/income for the period	-	(823)	(290)	-	-	102	(1,011)	(1,472)	(2,483)
Shares of reserves of associate	-	-	-	2	-	-	2	-	2
Issuance of rights shares	15,101	-	-	-	-	-	-	-	15,101
Shares issued in lieu of dividends	620	(620)	-	-	-	-	(620)	-	-
Dividends on ordinary shares	-	(954)	-	-	-	-	(954)	-	(954)
At 30 September 2009	94,929	30,255	(2,232)	2,775	1,030	-	31,828	10,164	136,921
Total comprehensive expenses for the period	-	(15,592)	(167)	-	-	-	(15,759)	(7,900)	(23,659)
Balance as at 31 December 2009	94,929	14,663	(2,399)	2,775	1,030	-	16,069	2,264	113,262

1(d)(i)

	Attributable to the owners of the parent			
	Share capital	Revenue reserves	Total reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
The Company				
At 1 January 2008	79,208	22,422	22,422	101,630
Total comprehensive income for the period	-	635	635	635
At 31 March 2008	79,208	23,057	23,057	102,265
Total comprehensive income for the period	-	2,209	2,209	2,209
Dividends on ordinary shares	-	(5,037)	(5,037)	(5,037)
At 30 June 2008	79,208	20,229	20,229	99,437
Total comprehensive income for the period	-	1,331	1,331	1,331
At 30 September 2008	79,208	21,560	21,560	100,768
Total comprehensive income for the period	-	954	954	954
Balance as at 31 December 2008	79,208	22,514	22,514	101,722
Balance as at 1 January 2009	79,208	22,514	22,514	101,722
Total comprehensive income for the period	-	1,384	1,384	1,384
At 31 March 2009	79,208	23,898	23,898	103,106
Total comprehensive income for the period	-	1,476	1,476	1,476
At 30 June 2009	79,208	25,374	25,374	104,582
Total comprehensive income for the period	-	1,849	1,849	1,849
Issuance of rights shares	15,101	-	-	15,101
Shares issued in lieu of dividends	620	(620)	(620)	-
Dividends on ordinary shares	-	(954)	(954)	(954)
At 30 September 2009	94,929	25,649	25,649	120,578
Total comprehensive expense for the period	-	(7,360)	(7,360)	(7,360)
Balance as at 31 December 2009	94,929	18,289	18,289	113,218

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles , as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company had issued and allotted 2,432,970 new ordinary shares at an issue price of 25.5 cents per share on 28 July 2009 pursuant to the Scrip Dividend Scheme in respect of the Company's first and final dividend of 0.5 cents per ordinary share declared for the financial year ended 31 December 2008.

On 17 September 2009, the Company had also issued and allotted 158,628,149 new ordinary shares ("rights shares") at an issue price of 10 cents for each rights share on the basis of one rights share for every two existing shares in the capital of the Company.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Dec 09	Dec 08
Total no. of issued shares (excluding treasury shares)	475,884,447	314,823,328

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

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

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the year ended 31 December 2008, except as described in note 5.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The adoption of the new/revised FRS, in particular FRS 1 (Presentation of Financial Statements- Revised Presentation) and FRS 108 (Operating Segments), are assessed to have no material impact on the results of the Group.

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

	Group	
	Dec 09	Dec 08
(i) Based on the weighted average number of ordinary shares on issue	(2.74) cents	0.32 cents
(ii) On a fully diluted basis	(2.74) cents	0.32 cents

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of shares of the issuer:at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	Dec 09	Dec 08	Dec 09	Dec 08
Net asset value per ordinary share as at the end of period/year	23.32 cents	34.72 cents	23.79 cents	32.31 cents

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of income statement
12 Months Ended 31 December 2009 (“FY2009”) vs 12 Months Ended 31 December 2008 (“FY2008”)
Fourth Quarter Ended 31 December 2009 (“4Q2009”) vs Fourth Quarter Ended 31 December 2008 (“4Q2008”)

Group revenue increased 3.1% to \$206.8 million from \$200.5 million compared to the last financial year ended 31 December 2008. However, Group revenue in 4Q2009 fell by 6.1% to \$63.4 million from \$67.5 million in 4Q2008. The weaker performance in 4Q2009 was due to an overall decline in the contribution from the Group’s Trading segment due to the Group being more selective in extending credit to its customers amid the weaker economic conditions, despite of the revenue increase in the first half year of the year which was driven by a substantial contribution from the Integrated Project Management (“IPM”) project and supply of Oil Country Tubular Goods (“OCTG”) in Indonesia and increased business activities in the Marine Logistic segment which includes the sale of a tugboat. In addition, there is also a decrease in sales contribution from the Energy & Utilities segment due to a halt in the operations of a plant of a subsidiary company pending resolution of the liquidation of its major customer, as well as, the parent company of the customer.

Due to the lower margins for the IPM project and trading activities in China, the Group’s gross profit margin decreased to 21.4% from 28.9%. Additionally, fall in gross profit margin is attributed by Energy & Utilities segment which no longer derives income from the lease receivables and sale of steam to its customer in FY2009, as well as, fluctuation in contribution from the Resources segment which is largely influenced by the varying demand for coal.

Profit before taxation and minority interest decreased by 313.7% to a loss of \$15.5 million in FY2009 from \$7.3 million in FY2008 and by 310.2% from a loss of \$5.1 million in 4Q2008 to a loss of \$20.9 million in 4Q2009, as a result of combination of the factors mentioned below.

Depreciation and amortisation charges recorded an increase of 82.2% and 91.9% for FY2009 and 4Q2009 respectively. This was due to the Group’s investment in property, plant and equipment in FY2008 which commenced depreciation in the 4Q2008 and in FY2009 when the assets were put in use for the various projects. These include the various equipment required to carry out the logistical activities for coal mining operations in Indonesia and the land rig of Alton International (S) Pte Ltd (“Alton International”) respectively.

Selling and Distribution costs increased in FY2009 by 11.6% to \$37.3 million. In 4Q2009, the Group has written off bad debts of \$11.7 million arising from non-recovery of receivables due from Geo Link Nusantara Pte Ltd (“GLN”) after its disposal, as well as, project acquisition costs of \$4.5 million incurred by the Group arising from Build-Operate-Own (“BOO”) project in Indonesia which is pending for completion of disposal and exploration costs for coal mining activities in Indonesia.

There is also an increase in impairment loss on doubtful receivables of \$3.8 million which includes specific debts of an established Indonesian customer trading in oil and gas and related products provided for in 3Q2009 and receivables from Natural Fuel Pte Ltd which is under liquidation being fully provided for in 2Q2009, as well as, higher depreciation charges attributable to land rig in FY2009.

Selling and Distribution costs decreased by 7.6% to \$18.7 million in 4Q2009 due to write-off of bad debts and project acquisition costs as mentioned in the preceding paragraph being offset by substantially lower foreign exchange losses as compared to substantial foreign exchange losses arising from closing up of the forward currency contracts and revaluation of foreign currency balances for the corresponding period of prior year, as well as, reduced incentives to staff. The Group also incurred lower freight and delivery

charges in 4Q2009 as compared to increased business activity relating to coal and supply of OCTG activities in 4Q2008. The Group also recorded a reversal of allowance for obsolete inventories in 4Q2009 due to inventories previously provided for obsolescence being sold off during the financial year.

Administrative and General costs increased by 59.5% to \$29.0 million and by 316.3% to \$19.1 million in FY2009 and 4Q2009 respectively. This was largely due to impairment loss of \$11.9 million on other asset which was reclassified from finance lease receivables (of \$21.9 million) due from a subsidiary's major customer, Natural Fuel Pte Ltd which is under liquidation, impairment loss on Federal II vessel of \$2.8 million and overseas tax dues for business activities in China and Indonesia in FY2009, as well as, in 4Q2009. This increase was offset by a reversal of fair value adjustment on forward currency contracts, in FY2009, as well as, in 4Q2009.

Other income increased by 155.9% to \$12.9 million and by 175.4% to \$9.4 million in FY2009 and 4Q2009 respectively due to gain on disposal of the land rig of Alton International which was offset by loss on disposal of investment in GLN and reversal of interest charged on overdue trade receivables during 4Q2009. Other income has also increased due to receipts in relation to job credit scheme during FY2009.

Finance costs increased by 60.6% to \$7.8 million in FY2009 due to the term loan undertaken for purchase of the land rig and hire purchase of equipment for coal mining activities as well as trust receipts and bills payable to support projects such as the IPM and other trading activities such as sale of casing and tubings. The interest payment for the financing of the investment in FE PZH's waste water treatment project in China further contributed to the increase in finance costs by 12.6% to \$2.3 million in 4Q2009.

The Group's share of results of associates increased by 114.7% to a profit of \$1.4 million in FY2009 due to improved financial performance of the associated companies as compared to FY2008. The Group recorded profit of \$1.2 million in 4Q2009 as compared to a loss of \$8,000 in 4Q2008, due to an associated company in Indonesia reflecting improved financial performance in 4Q2009 after having accounted for additional corporate taxes arising from changes in local tax laws in Indonesia, as well as, accrued for additional contract costs due to delay in completion of projects during the first 9 months of the current financial year.

Review of Balance sheet

Total non-current assets as at 31 December 2009 stood at \$157.4 million compared to \$180.3 million in FY2008. The decrease in non-current assets was mainly a result of the decrease in finance lease receivables, and property, plant and equipment.

The decrease in finance lease receivables (non-current and current) from \$22.0 million in FY2008 to \$9.8 million in FY2009 was due to the reclassification of finance lease receivable (due from Natural Fuel Pte Ltd) to other asset (to account for the net realisable value of the Co-generation plant) as a result of the winding up order on Natural Fuel Pte Ltd. Lease payment receivables as 31 December 2009 solely pertains to the chartering arrangement of anchor handling tug of Federal Offshore Services Pte Ltd commencing from 4Q2009.

Property, plant and equipment decreased to \$124.6 million in FY2009 from \$145.3 million in FY2008, due mainly to disposal of the land rig of Alton Singapore, which was offset by construction-in-progress for the BOO power plant in Indonesia by subsidiary PT Gasuma Federal Indonesia ("PT Gasuma"), the BOO waste water treatment of FE PZH, as well as bulk equipment for the coal mining operations of PT Alton International Resources.

Total current assets as at 31 December 2009 stood at \$202.1 million compared to \$176.0 million in FY2008. The increase was due to other receivables and advance payment to suppliers and net cash and fixed deposit balances, offset by decrease in amounts due from related parties, inventories, trade receivables balances, prepayments and deposits and deferred expenditure.

The decrease in amount due from related parties by \$14.3 million is in line with the disposal of GLN as these balances relate to the business activities of GLN for the procurement of drilling and casing, project management for the oil pipeline installation and the IPM project in Indonesia.

The decrease in trade receivables by \$20.5 million was due to an impairment loss on doubtful receivables of \$5.8 million which includes the specific debts of an established Indonesian customer trading in oil and gas and related products and receivables from Natural Fuel Pte Ltd being fully provided for in 3Q2009 and 2Q2009 respectively. In addition, the receipt of advanced billing for the supply of line pipe project in Algeria in FY2009 contributed to a decrease in trade receivables.

Other receivables increased to \$62.2 million from \$1.9 million in FY2008, due mainly to balance of US\$43.0 million from the sale of the entire 65% stake in GLN, land rig and settlement of intercompany debts. Subsequent to year-end, proceeds of US\$35.0 million was fully settled and was used to repay the bank loans and trust receipts and bill payables and improve working capital of the Group. The balance of final payment of US\$12.0 million would be received over 12 equal monthly instalments, commencing 31 March 2010.

Advance payment to suppliers as at 31 December 2009 increased to \$21.4 million compared with \$16.7 million in FY2008. This was largely due to the advance payment to suppliers for purchases required for the supply of line pipe project in Algeria, as well as, for the tugboat which was delivered in February 2010.

The decrease in prepayments and deposits by \$1.2 million to \$3.0 million from \$4.2 million in FY2008 is mainly attributable to the expensing off of project acquisition costs incurred for the BOO power plant projects in Indonesia. The anchor handling tug which was previously accounted for as deposits paid for the acquisition and is now recognised as finance lease receivables upon delivery and commencement of its chartering services in accordance with FRS 17. The decrease, is however, offset by related charges being paid in advance for the supply of line pipe project in Algeria.

Deferred expenditure decreased to \$46,000 from \$6.0 million as a result of recognition of the related expenditure for the IPM project by GLN during the year and a consequence of disposal of GLN in December 2009.

Trade Payables increased from \$19.1 million to \$30.0 million, reflecting the increased business activities in the Resources segment and Marine Logistic segment in 4Q2009.

The Progress billings in excess of construction work-in-progress balance of \$3.7 million was attributed to US\$6.0 million project management and engineering procurement and construction contract in Vietnam undertaken by Alton International in November 2009.

Other payables and accruals increased to \$24.8 million from \$9.7 million in FY2008, due mainly to receipts of IPM project on behalf of purchaser of GLN and accrual of expenses related to disposal of GLN; loans from certain directors of the Company to assist the Group's cash flow position on a temporary basis, loans from a minority shareholder of its subsidiary for projects in China; advances received from the purchasers for disposal of both GLN and PT Gasuma and increased business activities of marine logistics segment and new companies which were incorporated in FY2008.

Advance payment from customers as at 31 December 2009 decreased from \$21.1 million to \$16.1 million, due mainly to recognition of sales upon the completion of the first

shipment for the Algerian project whereby an advance billing was made in December 2008.

The Group's exposure to derivative financial instruments decreased to nil from \$8.8 million in FY2008 due to the expiration and crystallisation of losses of the outstanding forward currency contracts as at 31 December 2008. Federal Group had not and would not be entering into any new derivative financial instruments for its hedging requirements.

Amounts due to bankers decreased by \$25.7 million, due to utilisation of the net proceeds from the rights issue in September 2009 and trade receipts upon completion of first shipment for supply of line pipe project in Algeria of approximately US\$24.5 million to reduce the short-term indebtedness.

The current and non-current term loans of \$116.9 million increased by \$19.6 million as a result of term loan undertaken for purchase of the anchor handling tug, as well as, additional loans were obtained from a Fund and from a regional bank for the purpose of investment in FE PZH's waste water treatment project in China. In addition, repayment of losses of forward currency contracts entered into in FY2008 were crystallised in FY2009 in the form of short term loans. The Group has also utilised the net proceeds from the rights issue to repay the existing bridging loan partially amounting to \$10.0 million.

The share capital has increased by approximately \$15.7 million due to issuance of new shares pursuant to the scrip dividend scheme in respect of the Company's first and final dividend of 0.5 cents per ordinary share declared for the financial year ended 31 December 2008, as well as, completion of rights issue in September 2009.

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

No prospect statement was made in the third quarter financial statements released on 13 November 2009.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The progressive recovery in the world economy, and especially the robust Asian markets such as China and Indonesia, looks set to fuel business growth across all industries including the global oil and gas and marine sectors. Since the second half of 2009, we have already seen a gradual firming of oil prices around the US\$70 - US\$80 per barrel range. This has brought about an increase in offshore oil & gas exploration and production activities and, as a result, vibrancy has returned to the offshore and marine sector.

In FY2009, the Federal Group made determined efforts to strengthen its balance sheet, stabilise its cash flow and reduce its gearing by divesting its stakes in certain non-core projects. The Group has also raised funds in the capital market through a rights issue in September 2009, amounting to S\$15.1 million.

In China, we will continue to expand on our portfolio of environmental management projects in wastewater treatment and supply of tap water. Our first BOO waste water treatment plant for the Sichuan Panzhihua Vanadium-Titanium Industrial Park has kicked off operations for the first phase in January 2010. Our Chengdu tap water supply project is expected to start operating in the second half of FY2010. Given the huge and growing demand potential for such services in a country that is increasingly environment-conscious, we believe that we are well-positioned to target similar projects, especially in the growing second-tier cities in China.

On the Trading segment front, we will continue to penetrate into emerging, high-growth markets such as Africa and Middle East. Our Algerian line pipe contract was a good launch pad for us to expand our market presence in Africa. We expect to complete the delivery of our balance order to Algeria of US\$46.0 million by first quarter of 2010. We are also penetrating into markets such as Vietnam, as the regional countries regain their economic health.

With the regional offshore marine sector becoming vibrant again, our Marine Logistics segment team continues its relentless search in the region for a second FSO project for our vessel Federal II.

FY2009 saw a loss for the Group. However, we believe that with all our effort in divesting non core projects in 2009 and the cash inflow in 2010, coupled with our aggressive business strategy to focus on our core business, will position us well for growth both in terms of the top and bottom line. Barring unforeseen circumstances, we expect to return to profitability in the current financial year.

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/recommendeded, a statement to that effect.

NA

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

	Trading		Manufacturing/ Design		Marine Logistics		Energy & Utilities		Resources		Corporate/ others		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
REVENUE																
External sales	174,465	161,783	2,151	4,390	22,067	18,662	2,485	10,054	5,416	5,514	168	122	-	-	206,752	200,525
Inter-segment sales	15	1,378	12,318	20,004	-	-	-	-	-	-	6,918	5,635	(19,251)	(27,017)	-	-
Total revenue	174,480	163,161	14,469	24,394	22,067	18,662	2,485	10,054	5,416	5,514	7,086	5,757	(19,251)	(27,017)	206,752	200,525
RESULT																
Segment result	10,037	(1,178)	667	2,466	(793)	4,606	(17,029)	2,538	(3,871)	691	3,051	3,169	(454)	(4,198)	(8,392)	8,094
Interest income															1,174	1,803
Finance cost															(7,826)	(4,873)
Unallocated (expenses)/revenue															(1,905)	1,567
Share of results of associates															1,434	668
Profit before taxation															(15,515)	7,259
Tax expense															(3,326)	(3,410)
(Loss)/Profit for the year															(18,841)	3,849

13.

China	Indonesia	Malaysia	Singapore	Thailand	USA	UK	UAE	India	Oman	Italy	Korea	Others	Elimination	Total
2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000

REVENUE

External sales	15,005	71,223	6,230	43,365	3,122	5,160	1,564	2,782	1,424	8,509	38,061	1,214	9,093		206,752
Inter-segment sales	2,937	1,041	-	13,866	843	-	-	-	-	-	-	-	-	(18,687)	-
Total revenue	17,942	72,264	6,230	57,231	3,965	5,160	1,564	2,782	1,424	8,509	38,061	1,214	9,093	(18,687)	206,752

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

REVENUE

External sales	12,228	70,979	6,744	64,242	7,409	8,016	1,273	8,817	5,310	4,699	111	5,517	5,180		200,525
Inter-segment sales	2,453	675	-	30,333	688	-	-	-	-	-	-	-	-	(34,149)	-
Total revenue	14,681	71,654	6,744	94,575	8,097	8,016	1,273	8,817	5,310	4,699	111	5,517	5,180	(34,149)	200,525

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

NA

15. A breakdown of sales.

	<-----Group----->		
	S\$ ' 000		%
	2009	2008	Change
Sales reported for the first half year	116,811	90,881	28.53%
Operating profit/loss after tax before deducting minority interests reported for the first half year	4,705	6,556	-28.23%
Sales reported for the second half year	89,941	109,644	-17.97%
Operating loss after tax before deducting minority interests reported for the second half year	(23,546)	(2,707)	769.82%

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

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

BY ORDER OF THE BOARD

Koh Kian Kiong
Executive Chairman & CEO
Director

Lim Joo Suan
Director

1 March 2010