

## **FEDERAL INTERNATIONAL (2000) LTD**

(Incorporated in Singapore)

Company Registration No. 199907113K

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### **RESPONSE TO SGX'S QUERIES ON THIRD QUARTER FINANCIAL STATEMENT**

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The Board of Directors of Federal International (2000) Ltd would like to provide the additional information in response to the following queries raised by SGX:-

#### **SGX'S QUERY 1(i):**

We note on page 2 of the results announcement that "Impairment loss on doubtful receivables" for the three months ended 30 September 2009 was S\$1.76 million, an increase of 96% from the impairment loss of S\$1.83 million for the six months ended 30 June 2009. We further note from the results announcements that the impairment loss was largely attributed to Natural Fuel Pte Ltd.

Why did the Company continue to trade with this customer notwithstanding its financial difficulties?

#### **COMPANY'S RESPONSE:**

The increase in Q3 2009 was due to the provision made for a debtor for which the collectability was considered doubtful.

This is an established Indonesian customer trading in oil and gas and related products with whom we established business relations in 2008, who had been badly affected by the sudden global economic downturn and financial crisis.

We had stopped the supply of our products when we first confronted collection problems a year ago. We had also commenced legal action against the debtor and its guarantors after exhausting all other means of recovery.

The impairment loss for the receivables (except for finance lease receivables) from Natural Fuel Pte Ltd whose parent company was under voluntary liquidation had been fully provided for in Q2 2009.

#### **SGX'S QUERY 1(ii):**

Is this customer associated with any interested persons or their associates?

#### **COMPANY'S RESPONSE:**

This is a third party and not an interested person or associate of the Company and the Group.

#### **SGX'S QUERY 1(iii):**

Which business segment does this customer belong to?

#### **COMPANY'S RESPONSE:**

Oil and gas industry.

**SGX'S QUERY 1(iv):**

What are the Company's measures for ensuring collectability of the sales undertaken with this customer?

**COMPANY'S RESPONSE:**

The Company has commenced legal action against this customer.

**SGX'S QUERY 1(v):**

Are there any further exposures from this customer (e.g. investments, contingent liabilities, unbilled work etc)?

**COMPANY'S RESPONSE:**

The Group has no other exposure other than the trade receivables mentioned above.

**SGX'S QUERY 2:**

We note that "Other payables and accruals" has increased by 75% from S\$9.7 million as at 31 December 2008 to S\$17.0 million as at 30 September 2009. Please provide a breakdown on the major items contributing to the increase.

**COMPANY'S RESPONSE:**

Other payables and accruals increased by 75% or S\$7.3 million from S\$9.7 million as at 31 December 2008 to S\$17 million as at 30 September 2009 due to:

- Loans from certain directors of the Company amounting to S\$3.6 million. This was to assist the Group's cash flow position on a temporary basis. Loans from a Minority shareholder of its subsidiary amounting to S\$1.1 million for a project in China.
- Outstanding professional fees payable in respect of the rights issue amounting to S\$700,000 which was paid subsequently in October 2009.
- Amount payables in respect of marine logistic amounting to S\$800,000 arising from the increase in business activities in this division.
- Other sundry payables amounting to S\$1.1 million.

**SGX'S QUERY 3:**

In paragraph 9 of the results announcement, the Company has indicated that "No prospect statement was made in the second quarter financial statements released on 14 August 2009". Please comment on whether the Company's actual results for the third quarter are in line with the commentary in paragraph 10 of the previous quarter's announcement.

**COMPANY'S RESPONSE:**

The Company's actual results for Q3 2009 were in line with the commentary in paragraph 10 of the Q2 2009 announcement.

In paragraph 10 of the Q2 2009 announcement, we made reference to the slow recovery in global economic and financial crisis that will affect the Group's business and that we would anticipate a longer time in collecting trade receivables.

The Group's Q3 2009 results were in fact further impacted adversely by the additional impairment loss on account receivables.

BY ORDER OF THE BOARD

Chng Geok  
Executive Director

19 November 2009