

FEDERAL INTERNATIONAL (2000) LTD

(Incorporated in Singapore)

Company Registration No. 199907113K

RESPONSE TO SGX'S QUERIES ON FULL YEAR FINANCIAL STATEMENT

The Board of Directors of Federal International (2000) Ltd ("FI" or the "Company" or together with its subsidiaries the "Group") would like to provide the additional information in response to the following queries raised by SGX on 8 March 2010:-

SGX'S QUERY 1(i):

The company has indicated on page 15 of the results announcement that there is 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 customers, as well as, the parent of the customer. In respect of this, please provide the following information:

Please update on the factors that will affect the operations of this subsidiary company.

COMPANY'S RESPONSE:

Banyan Utilities Pte Ltd ("BUPL") had constructed a Co-Generation plant (the "Plant") on a "Build, Operate and Transfer" basis to provide steam and electricity to Natural Fuel Pte Ltd's ("NFPL") bio-diesel facility on Singapore Jurong Island.

The final court decision on the liquidation process of NFPL will to a large extent determine the next course of action available to BUPL. Upon finalization of the liquidation process, BUPL may work with future bio-diesel plant operator and continue to supply steam and power. BUPL is currently engaged in active discussions with a potential bio-diesel plant operator to continue the supply of steam and power.

SGX'S QUERY 1(ii):

Who is the major customer and does the subsidiary company have other customers?

COMPANY'S RESPONSE:

Currently, NFPL is the only major customer. Several options are being explored while awaiting the result of NFPL liquidation process, including (a) continuous supply of electricity to power grid when it is profitable; (b) negotiating with potential customers requiring steam; and (c) selling and relocating the Plant.

However, no definitive conclusion have been reached on items (b) and (c) mentioned above.

SGX'S QUERY 1(iii):

Please quantify the impact arising from the liquidation of this major customer (e.g. inventory, sales, accounts receivables, advances, write-off of fixed assets, contingent liability, etc).

COMPANY'S RESPONSE:

Approximately 5% of the Group's turnover had been lost and its contribution to gross profit and profit before tax.

There is an impairment loss of S\$1.6 million on receivables from NFPL.

The financial lease receivable of S\$21.9 million (due from NFPL) was re-classified to other assets for which S\$11.9 million had been provided for the potential impairment of the Plant.

BUPL is also in the process of negotiation with the gas supplier for its ability to fulfil the existing gas supply contract for which the negotiation had not been finalized.

SGX'S QUERY 2(i):

The Company also indicated that the fall in gross profit margin is attributed by the Energy & Utilities segment which no longer derives income from the lease receivables and sale of steam to its customers in FY2009. In respect of this, please provide the following information:

What are the reasons for the cessation of the above?

COMPANY'S RESPONSE:

As explained in item 1 above, the cessation was due to pending court decision on NFPL's liquidation.

SGX'S QUERY 2(ii):

What is this segment currently undertaking?

COMPANY'S RESPONSE:

This segment is currently undertaking certain utilities project in the People's Republic of China ("PRC"). Revenue reported under this segment for FY2009 was derived mainly from utility related projects through FI's China Federal Environmental group.

SGX'S QUERY 2(iii):

What are the factors that will affect this segment in the next reporting period?

COMPANY'S RESPONSE:

Major revenue and margin contributor would be expected from the operations of Federal Environmental (Panzhuhua) Co Ltd (a waste water treatment plant located in the PRC) which had since January 2010 commenced full commercial operations. Please refer to the Company's announcement dated 6 January 2010 for further details on Federal Environmental (Panzhuhua) Co Ltd.

With the PRC's national efforts in the areas of environmental protection and continuous focus and emphasis on the related infrastructure development, we anticipate significant economic impact on this segment. The Group has plans to expand its businesses in this segment, in the PRC.

SGX'S QUERY 3(i):

The Company has indicated on page 16 of the results announcement that the increase in Administration and General costs was largely due to, amongst other things, impairment loss of S\$11.9 million on other assets which was reclassified from finance lease receivables due from a subsidiary's major customer, NFPL which is under liquidation and impairment loss on Federal II vessel of S\$2.8 million. In respect of this, please provide the following information:

What actions are the Company taking to recover these assets?

COMPANY'S RESPONSE:

FI Group's plans of recovering BUPL's asset are outlined in items 1 and 2 above.

As for Federal II vessel, the Group is aggressively trying to secure long term chartering contracts (of up to five to ten years).

The Group has identified a number of reputable, potential strategic partners and negotiations are currently underway.

SGX'S QUERY 3(ii):

Is NFPL associated with any interested persons or their associates?

COMPANY'S RESPONSE:

NFPL is not associated with any interested persons or their associates.

SGX'S QUERY 3(iii):

Does the Company have business dealings with any other companies associated with NFPL?

COMPANY'S RESPONSE:

The FI Group had no dealings with any other companies associated with NFPL.

BY ORDER OF THE BOARD
Khoo Eng Hock
Group Chief Financial Officer/Company Secretary

9 March 2010