

FEDERAL INTERNATIONAL (2000) LTD

(Company Registration No.: 199907113K)
(Incorporated in the Republic of Singapore)

FEDERAL ENVIRONMENTAL & ENERGY PTE. LTD.

The board of directors (the “**Board**”) of Federal International (2000) Limited (the “**Company**”, together with its subsidiaries, referred to as the “**Group**”) refers to the announcement made on 7 July 2017 (the “**Announcement**”). Further to the Announcement, the Board wishes to provide an update on the Proceedings. Capitalized terms used in this announcement shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The current sole shareholder of Rift Valley Holdings Limited (“**RVH**”), George Deng (“**GD**”) is the Group’s 35% joint venture partner in Federal Environmental & Energy Pte Ltd (“**FEE**”) and the CEO of the Group’s business in the People’s Republic of China. Rift Valley Holdings Limited (“**RVH**”) which owns 99% of the issued share capital of FEE Water (China-PZH) Ltd (“**FEEW**”). Federal Environmental (Panzhuhua) Co. Ltd. (“**FEPZH**”) is the wholly owned subsidiary of FEEW. GD has informed the Group that FEPZH is currently under administration as its creditors are in the process of winding FEPZH up. The Group will participate in the Proceedings by: (i) FEE bringing its own claims against the Management Committee for a breach of the Management Committee’s obligations under the BOO Agreement (the “**FEE Claims**”); and (ii) Federal Environmental Engineering (Shanghai) Co., Ltd, Federal Water (Chengdu) Co., Ltd., FEE Investment Management Consultants (Shanghai) Co Ltd, and Federal International (Shanghai) Co., Ltd (collectively, the “**Subsidiaries**”) making applications to the relevant Chinese court to compel the administrator of FEPZH to recognize the debts owed to the Subsidiaries by FEPZH (the “**Creditor Actions**”, collectively with the FEE Claims hereinafter referred to as the “**New Proceedings**”).

The Group and GD have agreed that the Group will carry out the New Proceedings pursuant to the following arrangements:

- (i) GD entering into a litigation funding agreement with FEE, whereby GD will, in consideration of an upfront fee of S\$300,000 and for undertaking to be fully responsible for all costs and expenses arising from the New Proceedings, be entitled to seventy per cent. (70%) of any award granted by the China International Economic and Trade Arbitration Commission in respect of the FEE Claims, and one hundred per cent. (100%) of any monies received by the Subsidiaries pursuant to the Creditor Actions (the “**Litigation Funding Agreement**”). In addition, the Litigation Funding Agreement provided for GD indemnifying FEE and the Subsidiaries in respect of any damages, costs, expenses or liabilities that may arise from the New Proceedings and providing a new first mortgage over his real property in Singapore as security for his obligations under the Litigation Funding Agreement.
- (ii) GD guaranteeing S\$3.7 million of the loans made by the Group to FEEW that are due and payable (the “**Loan**”) by way of a personal guarantee (the “**Personal Guarantee**”) between GD and Federal Hardware Engineering Co. Pte. Ltd. (“**FHEC**”).

- (iii) The Group agreeing to waive the Loan by a sum equal to any award the Group may receive from the FEE Claims after deducting GD's share pursuant to the Litigation Funding Agreement.

The Board does not expect the foregoing arrangements with GD to have any material financial impact to the Group.

The Board will make further announcements on any material developments in connection with this matter as and when appropriate.

Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company in relation to this announcement.

BY ORDER OF THE BOARD

Koh Kian Kiong
Executive Chairman & Chief Executive Officer
11 January 2018