FEDERAL INTERNATIONAL (2000) LTD
Incorporated in the Republic of Singapore
Company Registration No. 199907113K

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS") FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 30 APRIL 2024

The Board of Directors (the "Board" or "Directors") of Federal International (2000) Limited ("Federal" or the "Company", and together with its subsidiaries, the "Group") would like to provide responses to the questions raised by SIAS for the Company's Annual General Meeting to be held on 30 April 2024 as follows:

No.	Questions raised by SIAS	Company's response
Q1	At the EGM held on 18 December 2023, shareholders approved the acquisition of shares in PT Gunanusa Utama Fabricators ("PTG") and PT Superkrane Mitra Utama Tbk. ("SK") in full and final settlement of the outstanding loan of $13.0 million owed by Azmil Rahman to the company. The group's equity interest in PTG was increased from 2.6% to 30%. The company also acquired 203.8 million quoted shares in SK.	
Q1.i	**Will the board be reviewing the board's approval process in 2016 when the company entered into the loan agreement with Azmil Rahman? Did it meet the group's investment process and risk management frameworks?**	The Board reviews all material transactions proposed by management and make decisions in the best interest of the Group under prevailing rules and regulations, merits and risks of each transaction under review. The Board shall continue to do so.
Q1.ii	What are the management's plans for the SK shares?	The SK shares are subjected to a moratorium as disclosed in the EGM Circular and management currently do not have any intent to dispose the SK shares in the near term.
Q1.iii	**Does the group have board representation on PTG? If not, considering its 30% stake, should the group seek board representation to protect its interests?**	The board of directors of PTG remain the same post-transaction. Its members are professionals engaged based on merits and capabilities. The board reports to the board of commissioner comprising 2 members, with one representative each from SK and Federal. Both SK and Federal have agreed to keep the status quo so as to allow the new owner and Federal to monitor PTG's development and future skill sets requirement.

No.	Questions raised by SIAS	Company's response
Q1.iv	**Separately, has PTG made payments on the outstanding amounts of $15.96 million as at 31 December 2023? Can management help shareholders better understand whether PTG is faced with cash flow difficulties? Is the company still conducting business with PTG, and if so, what safeguards have been put in place to mitigate default risks?** (Source: circular dated 1 December 2023)	i) ***PTG's cash flow*** has been an ongoing challenge. The sale of shares by PTG's shareholders to SK allows PTG to gain access to working capital. Being a subsidiary of SK improves PTG's borrowing capacity. ii) ***On-going business*** – the Group will continue to act as a procurement agent to support PTG's projects. The Group will strive to secure direct payment from PTG's end customer for procurement scope where possible. PTG is also working with SK's panel of banks to secure project financing to ensure adequate project cash flow.
Q1.v	Is the lack of new projects secured by PTG a cause for concern?	PTG is currently working with partners to secure tenders in India and Indonesia. One key requirement for EPCIC projects is the ability to provide assurance of adequate financial support from bank or controlling shareholder. The acquisition by SK allows PTG to present to its customers, a controlling shareholder that can provide financial support and thereby eliminate the costly requirement for higher performance bonds or security for performance assurance.
Q1.vi	Based on the annual report, Thailand was as the largest revenue contributor in 2023, generating $16.6 million. Since 2020, revenue from Thailand has shown an upward trend, increasing from $11.9 million in 2020 to $16.2 million in 2021 before slightly decreasing to $5.2 million in 2022. **Could management provide insights into the factors underlying the relatively robust performance in Thailand? Is the board allocating adequate resources and management time to foster growth in the Thailand business?**	One of the Group's customers successfully secured a multi-year project in Thailand and orders from this customer contributed to higher revenue in FY2023. Under our deputy Group CEO, a dedicated team continue to work closely with this customer to fulfil our scope under the current project and support its tender for the next phase of development in the same oil field.
Q2	In the letter to shareholders, the company also updated that it had disposed of its China entities to focus on other more lucrative markets and stated that it is actively seeking opportunities in India. India is deemed an emerging market with opportunities in both upstream and downstream.	
Q2.i	In the business and financial review, it was disclosed that the group waived long outstanding intercompany debts amounting to $51.2 million due from certain subsidiaries which were not recoverable and impaired in prior years. **Can the board help shareholders better understand the accounting treatment of the $51.2 million in the financial statements, and also explain how the loss**	At the Company and subsidiary company level, intercompany receivables are recorded as assets while intercompany payables are recorded as liabilities. These balances are eliminated at the Group level. When such intercompany balances are waived, losses are recognised by the Company and subsidiary who waived off these intercompany receivables and gains are recognised by the

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<tr><th>No.</th><th>Questions raised by SIAS</th><th>Company's response</th></tr>
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attributable to owners of the company was calculated to be $(17.989) million?

CONSOLIDATED
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

<table>
<tr><th></th><th>Note</th><th>Group
2023
$'000</th><th>Group
2022
$'000</th></tr>
<tr><td>Revenue</td><td>29</td><td>50,303</td><td>135,136</td></tr>
<tr><td>Cost of sales</td><td></td><td>(37,027)</td><td>(114,499)</td></tr>
<tr><td>Gross profit</td><td></td><td>13,276</td><td>20,637</td></tr>
<tr><td>Other income</td><td></td><td>1,563</td><td>4,000</td></tr>
<tr><td>Selling and distribution costs</td><td></td><td>(5,420)</td><td>(5,683)</td></tr>
<tr><td>Administrative and general costs</td><td></td><td>(7,545)</td><td>(9,579)</td></tr>
<tr><td>Other operating expenses</td><td></td><td>(2,065)</td><td>(3,483)</td></tr>
<tr><td>Net (impairment loss)/writeback of impairment loss on financial assets</td><td></td><td>(79)</td><td>3,312</td></tr>
<tr><td>Finance costs</td><td></td><td>(769)</td><td>(1,608)</td></tr>
<tr><td>Share of results of associates</td><td></td><td>(638)</td><td>815</td></tr>
<tr><td>Writeback of impairment loss/(impairment loss) on investment in associate</td><td>7</td><td>1,000</td><td>(5,300)</td></tr>
<tr><td>(Loss)/profit before tax</td><td>30</td><td>(677)</td><td>3,111</td></tr>
<tr><td>Income tax expense</td><td>32</td><td>(658)</td><td>(773)</td></tr>
<tr><td>(Loss)/profit net of tax</td><td></td><td>(1,335)</td><td>2,338</td></tr>
<tr><td>Attributable to:</td><td></td><td></td><td></td></tr>
<tr><td>Owners of the Company</td><td></td><td>(17,989)</td><td>2,504</td></tr>
<tr><td>Non-controlling interests</td><td></td><td>16,654</td><td>(166)</td></tr>
<tr><td></td><td></td><td>(1,335)</td><td>2,338</td></tr>
<tr><td>(Loss)/earnings per share attributable to owners of the Company (cents per share)</td><td>33</td><td></td><td></td></tr>
<tr><td>Basic</td><td></td><td>(12.79)</td><td>1.78</td></tr>
<tr><td>Diluted</td><td></td><td>(12.79)</td><td>1.78</td></tr>
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(Source: company annual report; emphasis added)

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subsidiaries whose intercompany payables were waived off. Such gains are shared with non-controlling interests ("NCI").

These gains and losses on the waiver are eliminated at group level and hence do not have an impact to group consolidated loss net of tax of S$1.3 million. However, the NCI share of the gains on waiver (approximately S$16.3 million) are also recognised for these subsidiaries (whose debts were waived off) in FY2023, who were 65% or 70% owned by the Group. This resulted in the loss attributable to the owners of the Company, which can be calculated or reproduced as below:

<table>
<tr><th></th><th>Group
2023
S$'000</th><th></th></tr>
<tr><td>Loss net of tax</td><td>(1,335)</td><td></td></tr>
<tr><td>Profit allocated to NCI</td><td>(16,654)</td><td>*</td></tr>
<tr><td>Loss attributable to owners of the Company</td><td>(17,989)</td><td></td></tr>
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* Included NCI share of gains on waiver of S$16.3 million

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<td>Q2.ii</td>
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Following the group's exit from China, has the board critically analysed the challenges faced by Federal Environmental & Energy Pte Ltd ("FEE") and Federal International (Shanghai) Co, Ltd ("FIS")?

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Our China subsidiaries comprised FEE and its subsidiary ("FEE Group") and FIS.
FEE Group – while FEE has been dormant for more than a year and its subsidiaries which consists of entities providing water engineering services and a water treatment plan have not been performing well over the years.
FIS is a trader and agent of flowline control products. While it manages to secure orders for general materials for the shipbuilding sector, margins have been declining due to competition. With rising operating expenditures and financing costs, profits have been affected adversely in the past several years.

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<td>Q2.iii</td>
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Can management help shareholders better understand how it had concluded there was "low demand" in China? According to media reports, marine and oil and gas sector in China remained fairly robust. For example, the Big Three Chinese oil and gas players have performed relatively well. **Are the challenges experienced limited to FEE and FIS, or are they indicative of broader industry trends?**

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FIS and FEE distribute the flowline control products marketed by the Group for the marine and oil and gas sector in China. Customers are mainly shipyards in China serving the shipbuilding and repair segment.

Demand for the flowline control products marketed by FEE and FIS saw consecutive decline as reflected in low sales activities. In addition, FEE faces low margins due to import taxes and shipping costs for overseas products imported into China. FIS managed to secure orders for general materials for the shipbuilding and repair customers but margins are lower. Moreover,

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No.	Questions raised by SIAS	Company's response
		locally sourced products sold to Chinese shipyards are increasingly difficult due to margin squeeze and shipyards and manufacturers cutting out agents whenever possible.
Q2.iv	**What confidence does management have in expanding to India after the setback in China (and Indonesia)? What changes will be made to the management team and business model? What market entry strategy will it employ?**	The focus in India and Indonesia will be on Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") projects for the oil and gas sector. India - Recently, national oil companies in India have signalled strong upstream capital expenditures in FY2024 and beyond. Several projects have been lined up for tenders. PTG has teamed up with foreign and local Indian contractors to participate in these tenders. The Group will support PTG and/or its partners in the procurement scope for these EPCIC projects. Indonesia – PTG continues to participate in tenders for EPCIC projects in Indonesia. The Group continues to support PTG in the procurement scope for such projects. The same team who has managed projects in these markets will continue to manage any projects secured in these markets.
Q2.v	**How much will the group be committing to enter the India market?**	The Group's involvement in potential EPCIC projects in India cover procurement scope only. Such procurement scope value ranges widely depending on the size and scope of each project. Typically, procurement value ranges from US$60 million to US$80 million per projects.
Q2.vi	**What is the board's view on trends of decarbonisation, energy transition and achieving net-zero emissions? How do these global movements towards greater sustainability affect the long-term prospects of the group's businesses? How is management future-proofing the group?**	Currently, there is a global push to transit to sustainable energy to limit climate change. This transition will however, takes time and the speed of change varies among oil producing countries as energy supply and consumption go through major structural changes. Notwithstanding this transition, upstream oil and gas activities and chemical processing industry in the region is expected to remain resilient in the near term. The Group acknowledges and is mindful of the challenges in the longer-term prospects and is seeking opportunities in the greener energy segment. The Group has taken initiative to disposed of assets in the traditional oil and gas segment such as its land drilling rig.
Q3	As disclosed in the corporate governance report, the internal audit function of the group is outsourced to RSM Risk Advisory Pte Ltd.	
Q3.i	**What input did the audit committee (AC) give to the internal auditors regarding the scope of the internal audit?**	During the AC meetings, the AC review financial results of the Group and through discussions with external auditors to identify the key risk areas and potential audit issues. The AC reviews and approves the internal audit plan to put focus and prioritise on significant components or key process cycles considered with a higher risk.

No.	Questions raised by SIAS	Company's response
		RSM carries out its internal audit functions based on work plan agreed with the AC, where different aspects of internal control are reviewed for each year, and also take into consideration key risk identified.
Q3.ii	**What were the scope, key findings and recommendations by the internal auditor for FY2023?**	The scope of work for FY2023 were internal controls of: - 1. Human resources & payroll; 2. Revenue & receivables; and 3. Procurement & inventory management and project management in relation to the PT Gunanusa Utama Fabricators ("PTG") Project(s). The key findings and recommendations for FY2023 internal audit included the followings: - • Recommendations to enhance and improve the processes in credit limit approval for both new and existing customers as well as the on-boarding of new vendors; and • Recommended the establishment of policy and procedures to govern the management and operations of the Group's security trading account where it is expected to hold listed shares; formulate and communicate the exit strategy to the Board of Directors.
Q3.iii	**Can the AC confirm that all the foreign operating subsidiaries in China, Indonesia, Thailand and United Kingdom were included in the internal audit? How was the internal audit carried out for these foreign subsidiaries?**	The internal audit covers the key foreign operating subsidiaries on a cyclical basis. In FY2023, RSM covered the Indonesia operations with focus on the Group's project management in relation to the PT Gunanusa Utama Fabricators ("PTG") Project(s).
Q3.iv	**What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations?**	The AC discuss with IA audit team on scheduled meetings, without the presence of management. Full co-operation and support from management to the IA were received in the course performing the IA work. The AC receives the internal audit plan which includes follow-up actions to be undertaken by Management to address the risks highlighted in the internal audit report. All internal audit reports including the status of the actions taken by the Management are reviewed, discussed and approved at the AC meetings.

By order of the Board

Mr Koh Kian Kiong
Executive Chairman and Chief Executive Officer
Date: 25 April 2024

Established in 1974 and listed on the mainboard of the Singapore Stock Exchange in 2000, Federal International (2000) Limited ("**Federal**" and together with its subsidiaries, the "**Group**"), is an integrated service provider and procurement specialist in the oil and gas, and energy industries. The Group's main trading business contributes more than 80% of total turnover. The Group's strategy for sustainable growth of the trading business is through forming strategic partnerships. One such partnership is with PT Gunanusa Utama Fabricators ("**PTG**"). PTG is an established EPCIC contractor and its customers include oil majors such as TOTAL, Petronas, ONGC, Pertamina, Saka Sidayu, and PTTEP. The Group provides procurement services to PTG for the projects secured by PTG.

The Group also specializes in turnkey fire detection, control and suppression projects which includes the design, engineering, supply, installation and testing & commissioning, servicing and maintenance. Over the years, strategic partnerships with leading global fire detection and suppression manufacturers attest to the Group's professionalism and integrity as a reliable fire suppression solution provider.

In addition, the Group has a design and manufacturing facility located in Scotland, the United Kingdom. The facility is American Petroleum Institute (API) Q1, Spec 6D, ISO 9001:2015 and Pressure Equipment Directive 97/23/EC (PED) certified. Products manufactured also meet the Safety Integrity Level (SIL) Qualification independently certified by Exida. The Group also owns a floating, storage and offloading ("**FSO**") vessel through its 30% interest in an associate. The FSO is chartered to PT Pertamina Hulu Energi OSES. The Group has a 1,200 HP American built land drilling rig.

Over the years, Federal is proud to have been awarded ISO certification, an internationally recognised standard that ensures we meet the needs of our clients through an Integrated Management System.