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

REPLY TO SGX QUERIES REGARDING THE COMPANY'S HALF YEAR FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 ("1HFY23")

The Board of Directors (the "**Board**") of Federal International (2000) Ltd (the "**Company**", together with its subsidiaries, the "**Group**") would like to provide the following information in response to the queries from the SGX-ST.

Query 1:
In respect of the non-current other receivables amounting to S$13,107,000 as at 30 June 2023, it is disclosed in Note 13 that the amount includes an outstanding loan of S$13,022,000 to a shareholder, Pak Azmil Rahman ("**Azmil**"), of an investee company, PT Gunanusa Utama Fabricators ("**PTG**").

a) Please explain the rationale of the loan to a shareholder of an investee company given that it is not in the ordinary course of business of the Group to grant loans.

b) Please disclose the breakdown of the loan granted, when was the loan was granted and the salient terms of the loan.

c) Please clarify if Azmil is a related party, has any connection (including any business relationship) with the Company and its directors and substantial shareholder.

d) Please provide the Board's opinion as to whether any impairment loss needs be recognized for the Company's loan to Azmil (recorded under other receivables) and the bases for such an opinion.

Company's response:

a) The rationale for providing the S$13,022,000 loan ("**Loan**") is primarily based on the long-term strategic benefits of developing and growing PTG as a regional EPC player. Azmil has been a long business associate of Mr. Koh Kian Kiong, Executive Chairman and CEO and both share the common belief and vision that there are synergistic opportunities for the Group and PTG to work closely together. By providing expertise in procurement management to support PTG in tenders and joint tenders for regional projects, where PTG is an approved vendor for regional oil majors, it is anticipated that the Group can drive significant revenue growth.

b) The full amount of Loan was granted to Azmil in December 2016. The salient terms of the Loan agreement include the following:

   i. interest rate of 7% per annum, which is accrued daily based on the actual number of days elapsed and a year of 365 days. Any interest accrued shall be payable immediately at the demand of the Company;

   ii. if there is default in payment in any of the finance documents, the default interest shall be 15% per annum, to be accrued on the overdue amount from the due date up to the date of repayment;

   iii. the Loan shall be repaid on the maturity date, which shall be the fifth anniversary of the Loan Agreement (the maturity date was subsequently extended to 6 December 2025);

iv. the Loan will terminate upon the full repayment of the principal and all other amounts accrued in relation to the Loan;

v. Azmil shall not create or permit to subsist any security over his share in PTG apart from the share pledge granted to the Company;

vi. Azmil may not sell, lease, transfer or dispose of his shares in PTG unless otherwise permitted under the finance documents or by the Company; and

vii. Azmil will apply the Loan proceeds towards investment in PTG.

c) To the Company's knowledge, the relationship between Azmil and the various parties are as follows:

i. Azmil and the Company – the Company had provided the Loan to Azmil, and Azmil had pledged 90,000 shares in PTG in favour of the Company as security for the Loan;

ii. Azmil and the Company's directors – No relationship

iii. Azmil and the Company's substantial shareholders – No relationship

d) On 26 June 2023, the Company entered into a principal agreement for the purposes of finalising and facilitating two key transactions: (a) Sale and Purchase Transaction and (b) Loan Settlement Transaction (refer to the Company's announcement dated 26 June 2023: Entry into Principal Agreement for Acquisition and Restructuring of PT Gunanusa Utama Fabricators).

The Principal Agreement contemplates a loan settlement between Azmil and the Company, whereby Azmil, as full and final settlement of an outstanding Loan to the Company, shall transfer to the Company (i) the remaining 39,500 PTG shares held by him after the Share Sale & Purchase, and (ii) PT Superkrane Mitra Utama Tbk. ("**SK**") shares held by him pursuant to the Share Sale & Purchase.

On 27 July 2023, the Board announced that the Company had subsequently entered into a deed of settlement with Azmil for the Loan, as subsequently amended by a deed of addendum (collectively, the "**Deed of Settlement**") which contemplates the proposed acquisitions by the Company of 39,500 PTG shares and 175,813,499 SK shares.

As at 30 June 2023, the Board and management assessed the Loan to Azmil for impairment using the expected credit loss model and took into consideration the fair value of the 39,500 PTG shares and SK shares. There was no further impairment loss required for the Loan as at 30 June 2023 based on the fair value of the 39,500 PTG shares and SK shares.

The fair value of the 39,500 PTG shares is determined by reference to the equity value of the investee company based on valuation performed by an external valuer using income approach. The valuation using income approach has been determined based on discounted cash flow analysis from forecast provided by the investee company covering a three-year period. The weighted average cost of capital applied to the cash flow projection and forecasted growth rate used to extrapolate cash flow projection beyond three-year period are 17.2% and 1.6% respectively.

Query 2:
In respect of the current trade receivables amounting to S$33,674,000, it is disclosed in Footnote (1)(a) to Note14 that it includes amount due from PTG of S$17million.

a) Please provide a breakdown of the financial years in which the sales were made to PTG and due dates for payments.

b) In view that the amounts owing by PTG is more than 120 days past due, please provide the Board's assessment as to whether the credit loss allowance provided for trade receivables as at 1H2023 is adequate and please provide the bases for the Board's assessment.

Company's response:

a) Trade receivable due from PTG stood at S$17,288,000 as at 30 June 2023. Breakdown of the financial years in which the sales were made to PTG, net of collection, is as follows:

	FY2017 SGD'000	FY2018 SGD'000	FY2019 SGD'000	FY2020 SGD'000	FY2021 SGD'000	FY2022 SGD'000	YTD 30Jun23 SGD'000	Total SGD'000
Amount	580	341	10	3,070	818	12,207	262	**17,288**

Breakdown of due dates for payments of trade receivables due from PTG as at 30 June 2023 is as follows:

Aging as at 30 June 2023	Past Due				
	Less than 1 year	More than 1 year	More than 2 years	More than 3 years	Total
	SGD'000				
Trade receivables due from PTG	9,558	3,671	3,094	965	**17,288**

b) The Board is satisfied that expected credit loss allowance as at 30 June 2023 was adequate on the basis that the Management and Board have examined the recoverability of trade receivables individually and collectively based on the age of debts to identify any expected credit losses. In particular, long outstanding trade receivables impairment assessment and basis are provided to justify that if no impairment is necessary.

Collections from PTG for current projects are pending its successful completion. For the long and old trade balances relating to past projects, PTG undertook to fulfil its obligations to repay the Group within 5 years with cash generated from its existing and future projects as stipulated in the Principal Agreement.

By order of the Board

Koh Kian Kiong
Executive Chairman and CEO
20 October 2023

About Federal International (Bloomberg Code: FEDI SP)

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 over 90% 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 and PTTEP. The Group provides procurement services to PTG for the projects secured by PTG.

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. The Group also operates an industrial tap water plant in the People's Republic of China under a 30-year Build, Operate and Transfer agreement with the local Xinjin District, Chengdu government.