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

PROPOSED DISPOSAL OF INTEREST IN PT EASTERN JASON BY A WHOLLY-OWNED SUBSIDIARY

1. INTRODUCTION

1.1 The Proposed Disposal

The Board of Directors of Federal International (2000) Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Eastern Jason Fabrication Services Pte Ltd ("**EJFS**"), has on 9 November 2022, entered into a conditional sale and purchase agreement ("**Conditional SPA**") with PT Bumi Investama Mandiri, an independent third party (the "**Purchaser**"), in relation to (i) the disposal of 30% of the issued share capital (the "**Shares**") of, and (ii) the novation and assignment of the outstanding receivables (the "**Receivables**") against, PT Eastern Jason ("**PTEJ**"), upon the terms and conditions set out in the Conditional SPA (collectively, the "**Proposed Disposal**"). This 30% issued share capital represents EJFS's entire shareholding in PTEJ.

The Proposed Disposal will constitute a "Discloseable Transaction" under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**").

1.2 Information on PTEJ

PTEJ is a company incorporated in Indonesia and is principally engaged in the business of maritime transportation. PTEJ has a current paid up capital of US$10,000,000 and is the registered owner of a Floating Storage Offloading vessel ("**FSO**"). The FSO is the sole operating asset of PTEJ, and its scrap value is in the region between US$7,500,000 and US$8,000,000 by a third party valuer (the "**Valuation**").

PTEJ has an existing chartering contract with an oil major in Indonesia to charter the FSO for a 5-year period ending 5 September 2023.

PTEJ has two (2) shareholders, with EJFS holding 30% of the issued share capital and PT Pratama Unggul Lestari ("**PT PUL**") holding the remaining 70% of the issued share capital.

1.3 Information on the Purchaser

The Purchaser is a company incorporated in Indonesia and is principally engaged in the business of wholesale trade of solid, liquid and gas fuels, and any related products as well as investment holdings.

2. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

2.1 Disposal of the Shares

Subject to the terms and conditions contained in the Conditional SPA, which shall include the deed of sale and purchase of Shares governed by Indonesian law as appended to the Conditional SPA ("**Deed of Sale and Purchase**"), the Purchaser shall purchase, and EJFS shall sell to the Purchaser, all and not part only of the legal and beneficial interest in the Shares, free from all encumbrances and with all the rights, benefits and entitlements now or hereafter attaching thereto.

2.2 Novation and Assignment of the Receivables

The Receivables is constituted by an outstanding shareholder loan from EJFS to PTEJ in the amount of US$1,898,034. Subject to the terms and conditions contained in the Conditional SPA, which shall include the deed of novation of Receivables governed by Indonesian law as appended to the

Conditional SPA ("**Deed of Novation**"), EJFS shall novate and assign the Receivables to the Purchaser, and the Purchaser shall assume all rights and obligations of EJFS under the Receivables.

2.3 Consideration

The consideration of the Proposed Disposal is **US$4,100,000** (the "**Consideration**"), comprising:

(a) US$2,201,966, which shall be payable on the Closing Date (as defined below) by the Purchaser to the Seller for the transfer of Shares in PTEJ from EJFS to the Purchaser; and

(b) US$1,898,034, which shall be payable on the Closing Date (as defined below) by the Purchaser to EJFS for the novation of the Receivables from EJFS to the Purchaser.

The Consideration, which was determined at arm's length on a willing buyer-willing seller basis, was arrived at after taking into account the Valuation, the prevailing economic conditions, and the rationale for undertaking this Proposed Disposal as set out in paragraph 3 of this announcement.

2.4 Closing

The completion of the Proposed Disposal ("**Closing**") shall be within 3 months of the Conditional SPA, or such other date EJFS and the Purchaser may agree in writing ("**Closing Date**"), subject to all Conditions Precedent being fulfilled.

2.5 Conditions Precedent

Closing is conditional upon, *inter alia*, the following salient conditions being satisfied:

(a) EJFS shall deliver or ensure that there is delivered to the Purchaser (or made available to the Purchaser's reasonable satisfaction) the following:

(i) a copy (certified by a duly appointed officer as true and correct) of a resolution of the board of directors of EJFS (or, if required by the law of its jurisdiction or its constitutional documents, of its shareholders) authorising the execution of and the performance by EJFS of its obligations under the Conditional SPA and the non-binding term sheet made and signed on 8 August 2022 (collectively, the "**Transaction Documents**");

(ii) where required by the listing rules of any recognised stock exchange (such as the SGX-ST) where EJFS's affiliate shares are listed, a copy (certified by a duly appointed officer as true and correct) of a resolution of that affiliate's shareholders passed in a general meeting authorising the execution of and approving the performance by EJFS of its obligations under the Transaction Documents;

(iii) an executed shareholders resolution of PTEJ approving the sale of Shares and assignment/novation of the Receivables to the Purchaser; and

(iv) an executed agreement entered into between EJFS, the Purchaser, and PT PUL to comply with Clause 6.3 of the joint venture agreement dated 1 May 2012 entered into between PT PUL and EJFS (the "**Joint Venture Agreement**"), whereby EJFS will exit from and the Purchaser will accede to the Joint Venture Agreement, or a waiver agreement signed by EJFS and PT PUL to waive the requirement of Clause 6.3 of the Joint Venture Agreement. Clause 6.3 of the Joint Venture Agreement provides that (i) the Purchaser shall enter into an agreement to be bound by the terms of the Joint Venture Agreement, and (ii) the Purchaser shall, jointly and severally with EJFS, assume and provide all guarantees and securities (if any) given by EJFS in favour or for the benefit of PTEJ and all money advanced to PTEJ by EJFS by way of loan or convertible loans then outstanding (if any) and upon the terms similar to those applicable to the advances made by EJFS.

(b) The Purchaser shall:

(i) deliver (or ensure that there is delivered to EJFS) a copy of a resolution (certified by a duly appointed officer as true and correct) of the board of directors of the Purchaser (or, if required by the law of its jurisdiction or resolutions of its shareholders) authorising the execution of and the performance by the Purchaser of its obligations under Transaction Documents; and

(ii) pay to EJFS the Consideration.

If the conditions precedent above are not fulfilled by Closing Date, the party not in default shall be entitled (in addition to and without prejudice to other rights and remedies available) by written notice to the party in default on the date Closing would otherwise have taken place, to:

(a) require Closing to take place so far as practicable having regard to the defaults which have occurred;

(b) notify the Party in default of a new date for Closing (being not more than 10 Business Days after the original Closing Date) in which case the relevant provisions in relation to Closing shall apply to Closing as so deferred but on the basis that such deferral may only occur once; or

(c) terminate the Conditional SPA.

At Closing, EJFS and the Purchaser shall execute the Indonesian law governed (i) deed of sale and purchase for the transfer of Shares and (ii) deed of novation for the transfer of Receivables, both before a public notary and substantially in the form as stipulated under Schedule 3 (*Form of Deed of Sale and Purchase of Shares*) and Schedule 4 (*Form of Deed of Novation*) of the Conditional SPA. In relation to the transfer of Receivables to the Purchaser, PTEJ shall also execute the Deed of Novation together with the Parties.

3. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF THE PROCEEDS

3.1 Uncertainty of Charter Extension

PTEJ's existing chartering contract is ending on 5 September 2023, and PTEJ will have to enter into negotiations to extend its charter ("**Extension**"). There is no guarantee that PTEJ will get the Extension. In the event PTEJ fails to get the Extension, it is required to demobilise the FSO from the field and secure a yard for the dry docking in order to maintain the FSO's operating certificate. In this scenario, PTEJ is expected to incur significant demobilisation and operating costs while the FSO is out of charter for almost four (4) months in financial year ("**FY**") 2023.

3.2 Uncertainty of Charter Rate and Dry Docking Costs in FY2023

Regardless of whether PTEJ gets the Extension, the FSO will need to undergo dry docking. In the current high-cost environment, high dry docking costs are to be expected and PTEJ may have to raise capital via a cash call for the dry docking exercise.

The economic viability of the business is also uncertain given the current environment of increasing operating costs and the uncertainty of charter rate revisions during negotiations for the Extension.

3.3 Benefits of the Proposed Disposal

The offer of US$4,100,000 allows the Company to exit the venture and recover its shareholder's loan of US$1,898,034 to PTEJ immediately. The US$2,201,966 value of PTEJ is based on the value of the existing contract (calculated on a Discounted Cash Flow basis) up to 5 September 2023 plus the scrap value of the FSO based on the Valuation. Accordingly, the Board of Directors is of the view that the Proposed Disposal is in the best interests of the Company as the shareholder of EJFS for the above mentioned reasons.

3.4 Use of the Proceeds

The Group estimates that there will be net proceeds of approximately S$5,695,000 (or US$4,097,000) arising from the Proposed Disposal, being the Consideration less estimated transactional expenses, of approximately S$5,000 ("**Net Proceeds**"). The Net Proceeds shall be used for general working capital of the Group.

4. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

4.1 The relative figures in relation to the Proposed Disposal computed on the applicable basis set out in Rule 1006 of the Listing Manual and based on the latest unaudited consolidated financial statements of the Group for the financial period ended 30 June 2022 ("**HY2022**") are as follows:

Rule 1006	Listing Rule	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	13.27%(1)
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	4.24%(2)
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	15.54%(3)
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	N/A(4)
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	N/A(5)

Notes:

(1) Computed based on the net asset value of the Shares in PTEJ of S$8,564,000 and net asset value of the Group of S$64,536,000 as of 30 June 2022. Net asset value of the Shares in PTEJ of S$8,564,000 is represented by the Group's carrying amount of investment in PTEJ.

(2) Computed based on the net profits attributable to the Shares in PTEJ of S$114,000 for HY2022 pertaining to the Group's share of PTEJ's results and related expenses and net profits of the Group of S$2,687,000 for HY2022.

(3) Computed based on Consideration of Shares in PTEJ of S$3,061,000 (or US$2,201,966), and the Company's market capitalisation of S$19,693,000. The Company's market capitalisation is determined by multiplying the 140,667,484 shares by the weighted average price of S$0.14 on 8 November 2022, being the last traded market day immediately preceding the date of the Conditional SPA.

(4) This basis is not applicable as there will be no issuance of equity securities by the Company in relation to the Proposed Disposal.
(5) This basis is not applicable as the Proposed Disposal is not of mineral, oil or gas assets.

4.2 Based on the above figures, the Disposal is a "Discloseable Transaction" under Rule 1010 of the Listing Manual and is not subject to shareholders' approval under Rule 1014 of the Listing Manual.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 The financial figures set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial performance of the Group after the Proposed Disposal. No representation is made as to the actual financial position and/or results of the Group after the completion of the Proposed Disposal.

The following financial effects of the Proposed Disposal are computed based on the following bases and assumptions:

(a) the financial effect on the net tangible assets ("**NTA**") per share is computed based on the assumption that the Proposed Disposal had been effected on 31 December 2021 (being the end of the latest audited financial year for the Group); and

(b) the financial effect on the earnings per share ("**EPS**") is computed based on the assumption that the Proposed Disposal had been effected on 1 January 2021 (being the beginning of the latest audited financial year for the Group).

NTA per share

	Before Proposed Disposal	**After Proposed Disposal**
NTA (S$'000)	60,248	55,252
Number of issued shares excluding treasury shares ('000)	140,667	140,667
NTA per share (cents)	42.83	39.28

EPS

	Before Proposed Disposal	**After Proposed Disposal**
Profit/(Loss) attributable to shareholders of the Company (S$'000)	334	(4,477)
Weighted average number of issued shares excluding treasury shares ('000)	140,667	140,667
EPS (cents)	0.24	(3.18)

5.2 Book Value and NTA of the Shares in PTEJ

Based on the Group's latest unaudited consolidated financial statements for HY2022, the book value and NTA of the Shares in PTEJ is approximately S$8,564,000.

5.3 Net Profits Attributable to the Shares in PTEJ

Based on the Group's latest unaudited consolidated financial statements for HY2022, the net profits (before tax) attributable to the Shares in PTEJ for HY2022 is approximately S$114,000.

5.4 <u>Deficit of Consideration of Shares in PTEJ over Book Value of Shares in PTEJ and Loss on Disposal of Shares in PTEJ</u>

Based on the book value of the Shares in PTEJ as set out in paragraph 5.2 above, there is a deficit of approximately S$5,503,000 of the Consideration of Shares in PTEJ (S$3,061,000 or US$2,201,966) over the said book value.

Based on the Group's latest unaudited consolidated financial statements for HY2022, loss on disposal of Shares in PTEJ amounts to approximately S$5,018,000, after taking into accounts the foreign currency translation (gain) of approximately S$485,000.

5.5 Based on the above figures and the impact to EPS, despite the Proposed Disposal being a "Discloseable Transaction" under Rule 1010 of the Listing Manual and being not subject to shareholders' approval under Rule 1014 of the Listing Manual, the Company has, out of abundance of caution, enquired with SGX-ST on the need for an Extraordinary General Meeting ("**EGM**") to seek shareholders' approval for the Proposed Disposal. In the interest of time, the Company intends to enter into the Conditional SPA, with completion of the Proposed Disposal subject to the directions of SGX-ST. If required by SGX-ST, the Company will convene an EGM to seek shareholders' approval for the Proposed Disposal. The circular containing further details of the Proposed Disposal, as well as a notice of the EGM in connection therewith, will be released to shareholders in due course, if required.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As of the date of this announcement, none of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Disposal.

7. NO SERVICE AGREEMENT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract for such appointment is proposed to be entered into between the Company and any such person.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts on the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

9. DOCUMENTS FOR INSPECTION

Copies of the Conditional SPA and the valuation report of the FSO are available for inspection during normal business hours for a period of three (3) months commencing from the date of this announcement at the registered office of the Company at 12 Chin Bee Drive, Singapore 619868. Please contact the management office email at FIshareholders_queries@federal-int.com.sg or office phone number +65 6747 8118 prior to making any visits to arrange for a suitable time slot for the inspection.

10. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and the other announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Mr Koh Kian Kiong
Executive Chairman and Chief Executive Officer
Date: 10 November 2022

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.