

LETTER TO SHAREHOLDERS DATED 15 APRIL 2019

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Letter is issued by Federal International (2000) Ltd (“**Company**”) and requires your immediate attention. Please read it carefully. If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Letter to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Letter.



FEDERAL INTERNATIONAL (2000) LTD

(Company Registration No. 199907113K)
(Incorporated in the Republic of Singapore on 13 November 1999)

LETTER TO SHAREHOLDERS

In relation to

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

This Letter is issued to Shareholders together with the 2018 Annual Report. The resolution proposed to be passed in relation to the above matter is set out in the Notice of AGM attached to the 2018 Annual Report.

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DEFINITIONS

In this Letter, the following definitions shall apply throughout unless the context otherwise requires:

“2019 AGM”	:	Has the meaning ascribed to it in Section 1.2 of this Letter
“2018 Annual Report”	:	The annual report of the Company for the financial year ended 31 December 2018
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	The annual general meeting of the Company
“Associate”	:	(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Board” or “Board of Directors”	:	The board of directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Code”	:	The Singapore Code on Take-overs and Mergers, as may be amended, modified or supplemented from time to time
“Company”	:	Federal International (2000) Ltd
“Companies Act”	:	The Companies Act (Cap. 50) of Singapore, as may be amended, modified or supplemented from time to time

DEFINITIONS

“Constitution”	:	The constitution of the Company, as may be amended or modified from time to time
“control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares) unless the SGX-ST determines that such a person is not a controlling shareholder of the Company; or (b) in fact exercises control over the Company
“Directors”	:	The directors of the Company for the time being
“EPS”	:	Earnings per Share
“Group”	:	The Company and its Subsidiaries
“Latest Practicable Date”	:	18 March 2019, being the latest practicable date prior to printing of this Letter
“Letter”	:	This Letter to Shareholders dated 15 April 2019 in respect of the proposed renewal of the Share Buyback Mandate
“Listing Manual”	:	The listing manual of the SGX-ST as may be amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3 of this Letter
“Maximum Limit”	:	Has the meaning ascribed to it in Section 2.3.1 of this Letter
“Maximum Price”	:	Has the meaning ascribed to it in Section 2.3.4 of this Letter
“Notice of AGM”	:	Notice of AGM of the Company dated 15 April 2019 convening the 2019 AGM
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	Has the meaning ascribed to it in Section 2.3.3 of this Letter

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“Relevant Period”	:	The period commencing from the date of the 2019 AGM, being the date on which the resolution relating to the Share Buyback Mandate is passed, if approved by the Shareholders, and expiring on the earlier of (a) the date on which the next AGM of the Company is held or required by law to be held; (b) the date on which the Share Buyback has been carried out to the full extent mandated; or (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting
“Rule 14”	:	Has the meaning ascribed to it in Section 2.10.1 of this Letter
“Securities Accounts”	:	The securities accounts maintained by Depositors with CDP, but not including the securities accounts maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act (Cap. 289) of Singapore, as may be amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to Shares held by CDP, mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
“Shares”	:	Ordinary shares in the issued share capital of the Company
“Share Buyback”	:	The purchase or otherwise acquisition of Shares by the Company pursuant to the terms of the Share Buyback Mandate
“Share Buyback Mandate”	:	The general mandate given by Shareholders to authorise Directors to exercise all the powers of the Company to purchase or otherwise acquire its issued Shares upon and subject to the terms set out in this Letter as well as the rules and regulations set out in the Companies Act and the Listing Manual
“Subsidiary”	:	A company which is for the time being a subsidiary of the Company, as defined by Section 5 of the Companies Act
“Subsidiary holding”	:	Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act

DEFINITIONS

- “Substantial Shareholder”** : A person who has an interest in one or more voting Shares, and the total votes attaching to that Share or those Shares representing not less than 5% of the total votes attaching to all the voting Shares in the Company
- “S\$” and “cents”** : Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
- “%” or “per cent”** : Per centum or percentage

The terms **“Depositor”**, **“Depository”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 81SF of the SFA. The term **“treasury shares”** shall have the meaning ascribed to it in the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations where applicable.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act, the SFA, the Listing Manual or any statutory or regulatory modification thereof and used in this Letter shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or any statutory or regulatory modification thereof, as the case may be, unless otherwise provided.

Any reference to a date and/or time of day in this Letter shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the figures included herein between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Letter may not be an arithmetic aggregation of the figures that precede them.

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FEDERAL INTERNATIONAL (2000) LTD

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

BOARD OF DIRECTORS

Koh Kian Kiong (Executive Chairman and Chief Executive Officer)
Maggie Koh (Executive Director)
Koh Beng Guan, Don (Executive Director)
Heng Lee Seng (Lead Independent Director)
Yee Kee Shian Leon (Independent Non-Executive Director)
Andrew Khoo Boo Yeow (Independent Non-Executive Director)
Loh Eu Tse Derek (Independent Non-Executive Director)

REGISTERED OFFICE

47 Genting Road
Singapore 349489

15 April 2019

To: The Shareholders of Federal International (2000) Ltd

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

- 1.1 We refer to the Notice of AGM and the proposed resolution 9 in relation to the proposed renewal of the Share Buyback Mandate.
- 1.2 The purpose of this Letter is to provide Shareholders with the information relating to, and explain the rationale for, the proposed renewal of the Share Buyback Mandate for which approval of Shareholders will be sought at the forthcoming AGM to be held on 30 April 2019 ("**2019 AGM**").
- 1.3 This Letter has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than Shareholders to whom this Letter is despatched by the Company) or for any other purpose.
- 1.4 The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Letter.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 **Background**

Under Section 76B of the Companies Act, companies are allowed to purchase or otherwise acquire their own ordinary shares, stocks and preference shares in the manner set out in the Companies Act if their constitution expressly permits them to do so, provided that any such purchase or acquisition is made in accordance with and in the manner prescribed by the Listing Manual and such other laws and regulations as may for the time being be applicable.

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Regulation 10B of the Constitution expressly permits the Company to authorise the Directors in general meeting to purchase or otherwise acquire its issued Shares on such terms as the Company may think fit and in the manner prescribed by the Companies Act. It is also a requirement under the Companies Act and the Listing Manual that a company, which wishes to purchase or otherwise acquire its own shares, should obtain approval of its shareholders to do so at a general meeting.

At an extraordinary general meeting of the Company held on 27 April 2018, Shareholders had approved the adoption of the Share Buyback Mandate to enable the Company to purchase or otherwise acquire its issued Shares on the terms of the said Share Buyback Mandate. The Share Buyback Mandate will, unless renewed, expire at the 2019 AGM.

Accordingly, the Directors propose that the Share Buyback Mandate be renewed at the 2019 AGM, and if approved, the authority conferred by the renewed Share Buyback Mandate will take effect from the date of the 2019 AGM and continue in force during the Relevant Period.

2.2 Rationale for the Share Buyback Mandate

The Company is proposing to undertake the Share Buyback Mandate for the following reasons:

- (a) the Directors and management of the Company constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. The Share Buyback Mandate will give the Directors the flexibility to undertake the Share Buyback at any time if and when the circumstances permit, subject to market conditions and funding arrangements at the time. Such Share Buyback, at an appropriate price level, will be one of the ways through which equity of the Group may be enhanced;
- (b) the Share Buyback Mandate will provide the Company with an easy mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost efficient manner;
- (c) the Share Buyback Mandate will allow the Directors to exercise control over the Company's share capital structure with a view to enhancing the EPS and/or the NTA value per Share; and
- (d) the Share Buyback Mandate will also give the Company the opportunity to undertake the Share Buyback when such Shares are under-valued, to help mitigate short-term market volatility in the Company's Share price, off-set the effects of short-term Share price speculation and bolster Shareholders' confidence and employees' morale.

If and when circumstances permit, the Board will decide (i) whether to undertake the Share Buyback via Market Purchase and/or Off-Market Purchase; and (ii) whether the Shares purchased or acquired should be held as treasury shares or cancelled, after taking into account the relevant factors such as the financial resources available, the prevailing market conditions, and the cost and timing involved.

Shareholders should note that the Share Buyback may not be carried out to the full 10% limit as authorised, and no Share Buyback would be made in circumstances which would or in circumstances which might, result in a material adverse effect on the liquidity, the orderly trading of the Shares and capital adequacy of the Company, taking into account the working capital requirements of the Company or the gearing levels, which in the opinion of the Board, are from time to time appropriate for the Company.

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2.3 Terms of the Share Buyback Mandate

The authority and limitations placed on the Share Buyback under the Share Buyback Mandate are similar in terms to those previously approved by Shareholders at the extraordinary general meeting held on 27 April 2018, as summarised below:

2.3.1 Maximum number of Shares

Only Shares that are issued and fully paid-up may be purchased or acquired by the Company.

The maximum number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to such number of Shares representing not more than 10% of the total number of Shares (excluding any Shares which are held by the Company as treasury shares and Subsidiary holdings) in issue as at the date of the AGM at which the renewal of the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, in which event the issued share capital of the Company shall be taken to be the amount of the issued share capital of the Company as altered (excluding any Shares which are held by the Company as treasury shares and Subsidiary holdings) ("**Maximum Limit**").

As at the Latest Practicable Date, the Company is holding 100,000 treasury shares and no Subsidiary holdings.

For illustration purposes only, based on the Company's 140,767,484 Shares in issue as at the Latest Practicable Date (out of which 100,000 Shares are held in treasury) and assuming that there will be no changes in the number of Shares on or prior to the 2019 AGM, not more than 14,066,748 Shares (representing 10% of the Shares in issue as at that date and taking into account the 100,000 Shares held in treasury for the purposes of computing the Maximum Limit) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

2.3.2 Duration of Authority

The Share Buyback may be made, at any time and from time to time, on and from the date of the 2019 AGM (at which the proposed renewal of the Share Buyback Mandate is approved) up to the earlier of:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the Share Buyback has been carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting.

The authority conferred on the Directors by the Share Buyback Mandate to purchase or acquire Shares may be renewed at each AGM or such other general meeting of the Company. When seeking the approval of Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose, *inter alia*, details pertaining to the Share Buyback pursuant to the previous Share Buyback Mandate made during the previous 12 months, including the total number

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of Shares purchased or acquired, the Share Buyback price per Share or the highest and lowest prices paid for the Share Buyback, where relevant, and the total consideration paid for such Share Buyback.

2.3.3 Manner of Purchase or Acquisition of Shares

The Share Buyback can be undertaken by the Company by way of:

- (a) on-market purchase(s) (“**Market Purchase**”) transacted on the SGX-ST through the ready market of the SGX-ST trading system, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchase(s) (“**Off-Market Purchase**”) effected pursuant to an equal access scheme as defined under Section 76C of the Companies Act.

The Directors may impose such terms and conditions, which are not inconsistent with the Share Buyback Mandate, the Listing Manual, the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes.

An Off-Market Purchase must, however, satisfy all of the following conditions:

- (i) offers for the Share Buyback shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offer made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company will issue an offer document to all Shareholders containing at least the following information:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the Share Buyback;
- (4) the consequences, if any, of the Share Buyback by the Company that will arise under the Code or other applicable take-over rules;
- (5) whether the Share Buyback, if made, could affect the listing of the Shares on the SGX-ST;

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- (6) details of any Share Buyback made by the Company in the previous 12 months (whether Market Purchase or Off-Market Purchase in accordance with an equal access scheme), giving the total number of Shares purchased or acquired, the Share Buyback price per Share or the highest and lowest prices paid for the Share Buyback, where relevant, and the total consideration paid for the Share Buyback; and
- (7) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum Purchase Price

The purchase price (excluding related brokerage, commissions, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid by the Company for the Shares pursuant to the Share Buyback Mandate will be determined by the Directors, provided that such purchase price must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares,

in each case, excluding related expenses of the Share Buyback (“**Maximum Price**”).

For the purposes of determining the Maximum Price:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last 5 consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant 5-day period; and

“**date of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 **Status of purchased or acquired Shares: held in treasury or cancelled**

A Share which is purchased or acquired by the Company is deemed cancelled immediately on the Share Buyback (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share in accordance with Section 76H of the Companies Act. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

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2.4.1 Treasury Shares

Shares purchased or acquired by the Company may be held or dealt with as treasury shares under the Companies Act. Some of the salient provisions on treasury shares under the Companies Act are summarised below:

(a) *Maximum Holdings*

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

In the event that the number of treasury shares held by the Company exceeds the aforesaid limit, the Company shall dispose of or cancel the excess treasury shares within 6 months beginning with the day on which that contravention occurs, or such further period as ACRA may allow.

For illustrative purposes only, based on the Company's 140,767,484 Shares in issue as at the Latest Practicable Date (out of which 100,000 Shares are held in treasury) and assuming that there will be no changes in the number of Shares on or prior to the 2019 AGM, not more than 14,066,748 Shares (representing 10% of the Shares in issue as at that date and taking into account the 100,000 Shares held in treasury for the purposes of computing the Maximum Limit) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

(b) *Voting and Other Rights*

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend shall be paid, and no other distribution (whether in cash or otherwise) of the Company's assets shall be made, to the Company in respect of treasury shares. However, any allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed and shall be treated as if they had been acquired by the Company at the time they were allotted. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) *Disposal and Cancellation*

Where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares (or any of them) for cash;
- (ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees' share scheme;

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- (iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares (or any of them); or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister of Finance may by order prescribe.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares and/or Subsidiary holdings (in each case, the “**usage**”). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares and/or Subsidiary holdings comprised in the usage, the number of treasury shares and/or Subsidiary holdings before and after the usage, the percentage of the number of treasury shares and/or Subsidiary holdings against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares and/or Subsidiary holdings comprised in the usage.

The Company shall also lodge with ACRA within 30 days of the cancellation or disposal of treasury shares, the notice of cancellation or disposal of treasury shares.

2.4.2 Purchased or acquired Shares cancelled

Under the Companies Act, where Shares are cancelled immediately after the Share Buyback (as opposed to being held as treasury shares to the extent permitted under the Companies Act), the Company shall:

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

Shares which are cancelled will be automatically delisted by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following such cancellation. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are cancelled and not held as treasury shares.

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2.5 Source of Funds

The Share Buyback may be made only if the Company is solvent and out of the Company's capital and/or profits. It is an offence for a director or chief executive officer of a company to approve or authorise the purchase or acquisition of shares, knowing that the company is not solvent.

For this purpose, pursuant to Section 76F(4) of the Companies Act, a company is “**solvent**”:

- (a) if there is no ground on which the company could be found to be unable to pay its debts in full at the time of the purchase or acquisition of shares;
- (b) if:
 - (i) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) if the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use its internal sources of funds to finance the Share Buyback pursuant to the Share Buyback Mandate.

The Directors do not intend to exercise the Share Buyback Mandate in a manner and to such extent that would have a material adverse effect on the working capital requirements or the gearing levels of the Company and the Group.

2.6 Financial Impact

2.6.1 The financial impact on the Company and the Group arising from the Share Buyback which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the Share Buyback is made out of capital or profit, the purchase price paid for such Shares and whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition as well as how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76(K) of the Companies Act. It is accordingly not possible for the Company to realistically or accurately calculate or quantify the exact impact that the Share Buyback Mandate might have on the NTA value, EPS and gearing of the Company and the Group at this juncture.

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2.6.2 Share Buyback made out of capital and/or profits

The Share Buyback by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent.

Where the consideration paid by the Company for the Share Buyback is made out of capital, such consideration will not affect the amount available for distribution in the form of cash dividends by the Company.

Where the consideration paid by the Company for the Share Buyback is made out of profits, such consideration (excluding related brokerage, commission, goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution in the form of cash dividends by the Company.

2.6.3 Number of Shares purchased or acquired

For illustrative purposes only, based on the Company's 140,767,484 Shares in issue as at the Latest Practicable Date (out of which 100,000 Shares are held in treasury) and assuming that there will be no changes in the number of Shares on or prior to the 2019 AGM, the purchase by the Company of 10% of its issued Shares (excluding the 100,000 treasury shares and Subsidiary holdings) will result in the purchase or acquisition of 14,066,748 Shares.

2.6.4 Maximum Price paid for Shares purchased or acquired

In the case of Market Purchase by the Company and assuming that the Company purchases or acquires 14,066,748 Shares at the Maximum Price of S\$0.235 per Share (being the price equivalent to 105% of the Average Closing Price of the Share traded on the SGX-ST for the 5 consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 14,066,748 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$3,305,686.

In the case of Off-Market Purchase by the Company and assuming that the Company purchases or acquires 14,066,748 Shares at the Maximum Price of S\$0.269 per Share (being the price equivalent to 120% of the Average Closing Price of the Share traded on the SGX-ST for the 5 consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 14,066,748 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$3,783,955.

2.6.5 Illustrative financial effects

As mentioned in Section 2.6.1 of this Letter, it is not possible for the Company to realistically calculate or quantify the financial effects of the Share Buyback that may be made pursuant to the Share Buyback Mandate.

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Purely for illustrative purposes, based on the audited financial accounts of the Company and the Group for the financial year ended 2018, the assumptions set out in Sections 2.6.3 and 2.6.4 of this Letter and assuming the Share Buyback is funded solely from working capital, the effects of the Share Buyback by way of Market Purchases and Off-market Purchases on the financial positions of the Company and the Group under each of the Scenarios A and B described below are as follows:

(a) Market Purchases

As at 31 December 2018 (audited)	Group		Company			
	Before Share Buyback (S\$'000)	After Share Buyback (S\$'000)	Before Share Buyback (S\$'000)	After Share Buyback (S\$'000)	Scenario A	Scenario B
		Scenario A	Scenario B			
Shareholders' funds	80,631	77,325	77,325	74,139	70,833	70,833
NTA ⁽¹⁾	78,981	75,675	75,675	74,139	70,833	70,833
Current assets	64,430	61,124	61,124	3,562	3,562	3,562
Current liabilities	40,322	40,322	40,322	1,875	5,181	5,181
Working capital	24,108	20,802	20,802	1,687	(1,619)	(1,619)
Total borrowings	23,954	23,954	23,954	–	3,306	3,306
Profit/(Loss) attributable to						
Shareholders	(5,802)	(5,802)	(5,802)	(2,475)	(2,475)	(2,475)
Cash and cash equivalents	9,003	5,697	5,697	188	188	188
Number of Shares ('000) ⁽²⁾	140,667	126,601	126,601	140,667	126,601	126,601
Treasury shares ('000)	–	14,067	–	–	14,067	–
Financial ratios						
EPS (cents)	(4.12)	(4.58)	(4.58)	(1.76)	(1.95)	(1.95)
NTA per Share (cents)	56.15	59.77	59.77	52.71	55.95	55.95
Gearing ratio ⁽³⁾	0.30	0.31	0.31	–	0.05	0.05
Current ratio (times) ⁽⁴⁾	1.60	1.52	1.52	1.90	0.69	0.69

Notes:

- (1) NTA equals Shareholders' funds less intangible assets.
- (2) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Buyback.
- (3) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (4) Current ratio equals current assets divided by current liabilities.

Scenario A: Market Purchases of 14,066,748 Shares made entirely out of capital and held as treasury shares

As illustrated under Scenario A in the table above, such purchase of Shares will have the effect of increasing the NTA of the Company and the consolidated NTA of the Group by the dollar value of the Shares purchased. The NTA per Share of the Company as at 31 December 2018 and the consolidated NTA per Share of the Group as at 31 December 2018 will increase from 52.71 cents to 55.95 cents and increase from 56.15 cents to 59.77 cents, respectively.

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Scenario B: Market Purchases of 14,066,748 Shares made entirely out of capital and cancelled

As illustrated under Scenario B in the table above, such purchase of Shares will have the effect of increasing the NTA of the Company and the consolidated NTA of the Group by the dollar value of the Shares purchased. The NTA per Share of the Company as at 31 December 2018 and the consolidated NTA per Share of the Group as at 31 December 2018 will increase from 52.71 cents to 55.95 cents and increase from 56.15 cents to 59.77 cents, respectively.

(b) Off-Market Purchases

As at 31 December 2018 (audited)	Before Share Buyback (S\$'000)	Group		Before Share Buyback (S\$'000)	Company	
		After Share Buyback (S\$'000)	After Share Buyback (S\$'000)		After Share Buyback (S\$'000)	After Share Buyback (S\$'000)
		Scenario A	Scenario B		Scenario A	Scenario B
Shareholders' funds	80,631	76,847	76,847	74,139	70,355	70,355
NTA ⁽¹⁾	78,981	75,197	75,197	74,139	70,355	70,355
Current assets	64,430	60,646	60,646	3,562	3,562	3,562
Current liabilities	40,322	40,322	40,322	1,875	5,659	5,659
Working capital	24,108	20,324	20,324	1,687	(2,097)	(2,097)
Total borrowings	23,954	23,954	23,954	–	3,784	3,784
Profit/(Loss) attributable to Shareholders	(5,802)	(5,802)	(5,802)	(2,475)	(2,475)	(2,475)
Cash and cash equivalents	9,003	5,219	5,219	188	188	188
Number of Shares ('000) ⁽²⁾	140,667	126,601	126,601	140,667	126,601	126,601
Treasury shares ('000)	–	14,067	–	–	14,067	–
Financial ratios						
EPS (cents)	(4.12)	(4.58)	(4.58)	(1.76)	(1.95)	(1.95)
NTA per Share (cents)	56.15	59.40	59.40	52.71	55.57	55.57
Gearing ratio ⁽³⁾	0.30	0.31	0.31	–	0.05	0.05
Current ratio (times) ⁽⁴⁾	1.60	1.50	1.50	1.90	0.63	0.63

Notes:

- (1) NTA equals Shareholders' funds less intangible assets.
- (2) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Buyback.
- (3) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (4) Current ratio equals current assets divided by current liabilities.

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Scenario A: Off-Market Purchases of 14,066,748 Shares made entirely out of capital and held as treasury shares

As illustrated under Scenario A in the table above, such purchase of Shares will have the effect of increasing the NTA of the Company and the consolidated NTA of the Group by the dollar value of the Shares purchased. The NTA per Share of the Company as at 31 December 2018 and the consolidated NTA per Share of the Group as at 31 December 2018 will increase from 52.71 cents to 55.57 cents and increase from 56.15 cents to 59.40 cents, respectively.

Scenario B: Off-Market Purchases of 14,066,748 Shares made entirely out of capital and cancelled

As illustrated under Scenario B in the table above, such purchase of Shares will have the effect of increasing the NTA of the Company and the consolidated NTA of the Group by the dollar value of the Shares purchased. The NTA per Share of the Company as at 31 December 2018 and the consolidated NTA per Share of the Group as at 31 December 2018 will increase from 52.71 cents to 55.57 cents and increase from 56.15 cents to 59.40 cents, respectively.

Shareholders should note that the financial effects set out above, based on the respective assumptions stated above, are for illustration purposes only and are not necessarily representative of the Company's and/or the Group's future financial performance. In addition, the actual impact will depend on, *inter alia*, the actual number and price of Shares that may be purchased or acquired by the Company, and whether the Shares purchased or acquired are held in treasury or cancelled.

Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the Company's total number of issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of issued Shares as mandated. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury. The Board would emphasise that it does not propose to exercise the Share Buyback Mandate to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

2.7 Requirements under the Companies Act

Within 30 days of the passing of a Shareholders' resolution to approve the Share Buyback, the Company shall lodge a copy of such resolution with ACRA.

The Company shall notify ACRA within 30 days of the Share Buyback on the SGX-ST or otherwise. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the purchase price per Share or the highest and lowest prices paid for such Shares (as applicable), the Company's issued ordinary share capital (excluding treasury shares and Subsidiary holdings) before and after the purchase of Shares, the number of treasury shares held after the purchases, the number of Subsidiary holdings after the purchases, and the amount of consideration (including stamp duties and clearing charges) paid by the Company for the purchases, whether the Shares were purchased out of profits or capital of the Company and such other particulars as may be required in the prescribed form.

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2.8 Listing Manual

2.8.1 Maximum purchase price

The Listing Manual specifies that a listed company may purchase or acquire shares by way of Market Purchase at a price per share which is not more than 5% above the average closing market price, being the average of the closing market prices of the shares over the last 5 Market Days, on which transactions in the shares were recorded, before the day on which the purchases or acquisitions were made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.3.4 of this Letter, confirms to this restriction.

2.8.2 No purchases during price-sensitive developments

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its Shares, the Company will not undertake any Share Buyback at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced. In particular, in-line with the best practices guides on securities dealings issued by the SGX-ST, the Company will not undertake any Share Buyback through Market Purchases or Off-Market Purchases during the period of 1 month immediately preceding the announcement of the Company’s annual results or during the period of 2 weeks immediately preceding the announcement of the Company’s financial statements for each of the first 3 quarters of its financial year (as the case may be).

2.8.3 Listing status of the Shares

As required by Rule 723 of the Listing Manual, the Company will ensure that any Share Buyback will not result in a fall in the percentage of Shares held by the public to below 10% of the total number of issued Shares (excluding treasury shares, preference shares and convertible equity securities). For this purpose, “**public**” means persons other than the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company or its Subsidiaries, and the Associates of such persons.

As at the Latest Practicable Date, approximately 60.06% of the total number of issued Shares are held by the public. In the event that the Company should, pursuant to the Share Buyback Mandate, undertake the Share Buyback up to the full 10% limit, about 55.62% of the Shares would continue to be in the hands of the public (assuming the Company undertakes the Share Buyback up to the full 10% limit from members of the public by way of a Market Purchase). Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by the public Shareholders which would permit the Company to undertake the Share Buyback up to the full 10% limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares of the Company on the SGX-ST. The Directors will at all times ensure that when the Company undertakes the Share Buyback pursuant to the Share Buyback Mandate, at least 10% of the Shares will remain in the hands of the public in accordance with the Listing Manual without:

- (a) affecting the listing status of the Shares on the SGX-ST;
- (b) causing market illiquidity of the Shares; or
- (c) affecting adversely the orderly trading of the Shares.

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2.8.4 Reporting Requirements

In addition to the reporting requirements under the Companies Act, the Listing Manual also specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchase or acquisition to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe in Appendix 8.3.1 of the Listing Manual. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company in a timely fashion the necessary information which will enable the Company to make the necessary notifications to the SGX-ST.

2.8.5 Previous Share Buybacks

In the 12 months preceding the Latest Practicable Date, the Company had purchased a total of 100,000 Shares at S\$0.25 per Share pursuant to the previous Share Buyback Mandate approved by Shareholders at the extraordinary general meeting of the Company on 27 April 2018. The total consideration paid (including related brokerage, commissions, stamp duties, applicable goods and services tax, clearance fees and other related expenses) was S\$25,064.21. These Shares are held in treasury.

2.9 **Taxation**

Shareholders who are in doubt as to their respective tax positions or the tax implications of the Share Buyback by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.10 **Take-Over Code Implications**

2.10.1 Persons acting in concert

Under the Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert:

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (b) a company, its parent company, subsidiaries, fellow subsidiaries, any of the foregoing companies' associated companies, companies of which the foregoing companies are associated companies, all with each other, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

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- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the above persons, and any person who has provided financial assistance (other than a bank in its ordinary course of business) to any of the above for the purchase of voting rights.

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Code ("**Rule 14**") after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Code.

2.10.2 Obligations to make a take-over offer

Pursuant to Appendix 2 of the Code, an increase in the percentage of voting rights in a company by a shareholder and parties acting in concert with him as a result of any acquisition of shares by the company will be treated as an acquisition for the purpose of Rule 14.

Consequently, under Rule 14, a Shareholder and persons acting in concert with him will incur an obligation to make a mandatory take-over offer for the Company if, *inter alia*, he and persons acting in concert with him:

- (a) increase their voting rights in the Company to 30% or more of the voting rights of the Company; or
- (b) hold between 30% and 50% of the voting rights of the Company and they increase their voting rights in the Company by more than 1% in any period of 6 months.

Under Appendix 2 of the Code, a Shareholder who is not acting in concert with the Directors will not be required to make an offer under Rule 14 if, as a result of the Share Buyback, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, would increase by more than 1% in any period of 6 months, as a

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result of the Share Buyback. Such Shareholder need not abstain from voting on the resolution to authorise the Share Buyback Mandate, unless so required under the Companies Act.

However, Shareholders will be subject to the provisions of Rule 14 if they acquire Shares after the Company carries out a Share Buyback. For this purpose, an increase in the percentage of voting rights as a result of the Share Buyback will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of 6 months.

Any Shares held by the Company as treasury shares shall be excluded from the calculation of the percentages of voting rights under the Code referred to above.

Based on the shareholdings of the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date, the Share Buyback pursuant to the Share Buyback Mandate of the Maximum Limit is not expected to result in any Director or Substantial Shareholder incurring an obligation to make a general offer for the Shares of the Company under Rule 14. The Directors are not aware of any other Substantial Shareholder or Director who would become obliged to make a take-over offer for the Company under Rule 14 as a result of the Share Buyback of the Maximum Limit as at the Latest Practicable Date.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council of Singapore and/or their professional advisers at the earliest opportunity.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders (both direct and indirect) in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders' kept by the Company are set out below:

	Direct Interests		Deemed Interests		Total Interests	
	Number of Shares	% ⁽¹⁾	Number of Shares	%	Number of Shares	%
Directors						
Koh Kian Kiong ⁽²⁾	9,500,000	6.75	18,150,000	12.90	27,650,000	19.65
Maggie Koh	470,000	0.33	–	–	470,000	0.33
Koh Beng Guan, Don	100,000	0.07	–	–	100,000	0.07
Heng Lee Seng	12,999	0.01	–	–	12,999	0.01
Yee Kee Shian, Leon	–	–	–	–	–	–
Khoo Boo Yeow, Andrew	–	–	–	–	–	–
Loh Eu Tse, Derek	–	–	–	–	–	–
Substantial Shareholders (other than Directors)						
Fame Asia Limited	16,055,989	11.41	–	–	16,055,989	11.41
Leung Kwok Hung, Jonathan ⁽³⁾	–	–	16,055,989	11.41	16,055,989	11.41
Yang Yi-Chung	8,608,174	6.12	–	–	8,608,174	6.12

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Notes:

- (1) The percentage of issued share capital is calculated and rounded up to 2 decimal places based on the current issued share capital of 140,667,484 Shares excluding 100,000 treasury shares as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, Mr Koh Kian Kiong has 6,750,000 Shares held under the name of United Overseas Bank Nominees Pte Ltd and 11,400,000 Shares held under the name of KGI Securities (Singapore) Pte Ltd.
- (3) Mr Leung Kwok Hung, Jonathan has a deemed interest in 16,055,989 Shares held by Fame Asia Limited.

4. DIRECTORS' RECOMMENDATION

The Directors having fully considered, *inter alia*, the terms and rationale of the proposed renewal of the Share Buyback Mandate as set out in this Letter, are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the proposed resolution 9 as set out in the Notice of AGM.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter 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 Letter in its proper form and context.

6. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 47 Genting Road, Singapore 349489 during normal business hours from the date hereof up to and including the date of the 2019 AGM.

- (a) the 2018 Annual Report; and
- (b) the Constitution.

Yours faithfully

for and on behalf of the Board of Directors of
Federal International (2000) Ltd

Koh Kian Kiong
Executive Chairman and Chief Executive Officer

