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

REPLY TO SGX QUERIES REGARDING UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FINANCIAL YEAR ENDED 31 DECEMBER 2020

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:
It was explained that the Impairment loss on current receivables of S$5,030K was mainly due to defaults of several customers of the Group's Indonesia trading business.

In this regard, please disclose the following: -

i) How long were the debts outstanding and when the sales were reported;
ii) What were the actions taken to recover these receivables;
iii) The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment loss;
iv) The percentage of revenue earned in the current financial year that was deemed uncollectible (i.e. trade receivables written off or provided for);
v) Whether the impairment loss pertained to major customer(s) and whether the Company continues to transact with these customer(s) and if so, what are the commercial reasons in doing so?
vi) The Board's assessment of the recoverability of the remaining trade receivables and the bases for such an assessment.

Company's response:

i) The debts impaired (amounting to $4,951K) during the year had been past due for more than 120 days and were reported as sales in the years prior to financial year 2020;

ii) The Group tried to recover these receivables by taking legal action against the customers ("Debtors") that had defaulted on payments. In addition, the Group is also making claims against certain insurance companies that had provided Payment Guarantee Bond (Surety Bond) to the Group as security for the relevant Debtors;

iii) The impairment losses were based on an assessment of collectability from each Debtor.

iv) 0.12% of revenue in the current financial year was provided for impairment loss.

v) The impairment losses are mainly related to Debtors who are new and/or non-regular customers in Indonesia that are not major customers of the Group. The Group did not continue to transact with these Debtors following their default or breach.

vi) The Management has examined the recoverability of trade receivables individually and collectively based on the age of debts to identify any expected credit losses. The Management also estimates the expected credit loss rates for each category of past due status of the trade receivables based on historical credit loss experience. On this basis, the Management has assessed that no impairment is necessary for the remaining trade receivables. The Board has reviewed and accepted Management's analysis and estimates and will continue to have oversight on the progress of the recoverability of the remaining trade receivables.

Query 2:

Please provide a breakdown of Non-current and Current other receivables as at 31 December 2020 and 31 December 2019 respectively.

Please provide the nature of the non-current receivables, the Board's assessment of the recoverability of the non-current other receivables and the bases for such an assessment.

Company's response

Breakdown of Non-current and Current other receivables as at 31 December 2020 and 31 December 2019 is as follows:

	Group		
	Dec-20	Dec-19	
	$'000	$'000	
Other receivables (non-current)			
Deposit	82	75	
Loan to a shareholder of an investee company	13,022	13,022	(i)
Less: impairment loss	(2,000)	(2,000)	(i)
	11,104	11,097	
Other receivables (current)			
Amount due from an investee company	1,224	1,762	
Recoverable	1,283	534	
Sundry debtors	1,049	601	
	3,556	2,897	

(i) The loan is secured by the shareholder's shares of the investee company. The Management had assessed the loan for impairment using the expected credit loss model and taken into consideration the fair value of the pledged shares. The fair value of the pledged shares is determined by reference to the equity value of the investee company based on a valuation performed by an independent external valuer using the income approach as at YE 2020. The valuer has also valued the pledged shares based on the market approach as a cross check as at YE 2020. On this basis, the Management has assessed that no impairment is necessary for the non-current other receivables. The Board has reviewed and accepted the assessment of Management and will continue to obtain periodic updates from Management.

Query 3:

Please provide the breakdown and aging of Trade Receivables of S$27,985,000 and S$29,050,000 as at 31 Dec 2020 and 31 Dec 2019 respectively.

Company's response

An analysis of the Trade Receivables ageing as at 31 December 2020 and 31 December 2019 is as follows:

	Group	
	Dec-20	**Dec-19**
	$'000	**$'000**
Trade receivables that are not past due	9,197	10,369
Trade receivables that are past due:		
Less than 30 days	4,663	3,570
30 to 60 days	2,558	1,323
61 to 90 days	1,063	1,636
91 to 120 days	1,654	496
More than 120 days	18,817	16,877
Total trade receivable	37,952	34,271
Less: impairment loss	(9,967)	(5,221)
Trade receivables, net	27,985	29,050

Query 4:

Given the Group's current liabilities of S$43,583,000 and cash and bank balances of $6,807,000 and noting that the Group incurred losses of $4,810,000 in FY2020, please disclose the Board's assessment of (i) whether the Group's current assets are adequate to meet the Group's short-term liabilities of $26,551,000, including bases for such an assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's response

The Group has $64,040,000 of current assets, including trade receivables of $27,985,000 and inventory of $16,666,000. The increase in inventory as at 31 December 2020 was due to products received by the Group for value-add services pending delivery to customers, most of which will be delivered by March 2021. The projected delivery of products to these customers as well as Management's projection of collections from customers within the next 12 months is expected to generate sufficient cash to settle the amount due to bankers (i.e., trade facilities drawn down for trade settlement). The short-term liabilities comprise an amount due to bankers of $18,747,000 and a term loan of $7,804,000. The term loan includes revolving credit of approximately $4,000,000 which the Group expects to be renewed upon maturity.

By order of the Board
Mr Koh Kian Kiong
Executive Chairman and Chief Executive Officer
Date: 15 March 2021

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 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.