



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

REPLY TO SGX QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors of Federal International (2000) Ltd (the “**Company**”) and together with its subsidiaries, (the “**Group**”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 29 April 2021 and would like to provide additional information in relation to the Company’s Annual Report for the financial year ended 31 December 2020 (“**FY2020 Annual Report**”), as follows:

SGX-ST’s Query 1: Listing Rule 1207 (10C) requires an issuer’s audit committee’s comment on whether the internal audit function is independent, effective and adequately resourced. Please state if the audit committee is satisfied with the effectiveness, independence, and that the internal audit function is adequately resourced.

The Company's response:

As disclosed on pages 52 and 55 of the FY2020 Annual Report, the Company has outsourced its internal audit function to RSM Risk Advisory Pte Ltd (“RSM”). RSM is a corporate member of the Institute of Internal Auditors Singapore, and is staffed with independent professionals with relevant qualifications and experience. The role of the Internal Auditors is to support the Audit Committee (“AC”) in ensuring that the Group maintains a sound system of risk management and internal controls by monitoring and assessing the adequacy and effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

The Board, with the concurrence of the AC, having considered (i) the internal controls established and maintained by the Group; (ii) the reports received from the internal auditor and the external auditor; and (iii) the regular reviews performed by Management, Board Committees and the Board; is of the opinion that, the Group’s risk management system and the Group’s internal controls including financial, operational, compliance and information technology controls are effective and adequate as at 31 December 2020. The AC has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company’s internal audit function. The AC is also satisfied that the internal auditor is adequately resourced and has the appropriate standing within the Group.

SGX-ST's Query 2: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 2 requires an issuer to state the Company's board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please state if the Company has a formal board diversity policy and please confirm if the Company's practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Company's response:

The Company has disclosed on pages 41 and 42 of the FY2020 Annual Report which set out, *inter alia*, that the composition of the Board is reviewed annually by the Nominating Committee ("NC") and the Board to ensure that there is an appropriate mix of expertise, knowledge and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board. Given the diverse qualifications, experience, background, gender and profile of the Directors, including the Independent Directors, the NC is of the view that the current Board members as a group provides an appropriate balance and diversity of relevant skills, experience and expertise required for effective management of the Group.

The NC and Board aim to promote diversity of perspectives, avoid group think and foster constructive debate and achieve overall effective performance of the Board. While at this point, the Board has not implemented specific board diversity policy on gender, age and ethnicity for candidates to be appointed to the Board, the NC will, however, continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its board renewal process.

The Board believes that its current composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company, which is consistent with the intent of Principle 2 of the Code. Information on their respective fields of specialities is provided on pages 5 and 8 of the FY2020 Annual Report. The Board acknowledges that improvements to Board diversity practices are an ongoing process. The Board reviews the scope and nature of the Group's operations in determining the appropriate Board composition and areas of enhancement in its policy and practices to incorporate a balance of skills, knowledge, experience, gender, age and other qualities that will harness the benefits that diversity can bring.

SGX-ST's Query 3: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 3 requires the separation of the role of the Chairman from that of the CEO to avoid concentration of power in one individual and ensure a degree of checks and balances. Mr Koh Kian Kiong is the Executive Chairman and CEO of the Company. Please explain and confirm if the Company's practices are consistent with the intent of Principle 3 of the Code, which requires the Company to have a separation of the role of the Chairman from that of the CEO to avoid concentration of power in one individual and ensure a degree of checks and balances.

The Company's response:

As disclosed on pages 42 and 43 of the Annual Report, the Board is of the view that having Mr Koh Kian Kiong's roles as both the Executive Chairman and CEO has not compromised overall accountability and independent decision-making as there is a majority number of Independent Directors versus Executive Directors on the Board. Notwithstanding the Company has benefited from having an Executive Chairman and CEO who is knowledgeable about the businesses and operations of the Company and of the Group, the Board will address the segregation of such positions when it is appropriate. In compliance with the Guidance 3 of the Code, Mr Yee Kee Shian, Leon has been appointed as the Lead Independent Director on 13 August 2020 to replace Mr Heng Lee Seng, who retired on 19 June 2020, to act as the principal liaison to address shareholders' concerns, in the case direct contact through normal channels of the Chairman/CEO or Management fails to resolve or is inappropriate.

By order of the Board
Mr Koh Kian Kiong
Executive Chairman and Chief Executive Officer
Date: 3 May 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 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.

