



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 2019

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 22 April 2020 and would like to provide additional information in relation to the Company’s Annual Report for the financial year ended 31 December 2019 (“Annual Report”), as follows:

SGX-ST’s Query 1: It was announced in the Company’s full year financial results that the net cash flows used in operating activities was S\$10,000 and in the Company’s annual report, net cash flows generated from operating activities was S\$178,000.

We refer to Rule 704(6) of the Listing Manual which provides that an issuer must immediately announce if an issuer has previously announced its preliminary full-year results, any material adjustments to its preliminary full-year results made subsequently by auditors. In this regard, please explain whether and how the Company has complied with Rule 704(6) in relation to net cash flows used in / generated from operating activities.

Company's response:

In the Company’s full year financial results, the Group’s cash used in operations amounted to S\$963,000 and after (a) income tax refund of S\$798,000 (b) interest income received of \$343,000 and (c) repayments of lease liabilities – interest of S\$188,000, the net cash flows used in operating activities was \$10,000.

At the finalisation of the Annual Report, the repayments of lease liabilities – interest of S\$188,000 was reclassified to cash flow from financing activities. This resulted in net cash flows generated from operating activities of S\$178,000.

The reclassification was made to reflect the nature of the repayments of interest on lease liabilities being financing activities, based on our assessment at the finalisation of the Annual Report, and the reclassified amount does not materially alter the overall cash flows used in operations of \$963,000.

The Company and its Auditors, having assessed the reclassification, were of the view that the reclassification was not significant and does not materially change the overall cash flows from operating activities and the Company therefore decided not to proceed with the release of an announcement in accordance with Rule 704(6) since the reclassification was neither materially price-sensitive nor trade sensitive.

SGX-ST's Query 2: Provision 8.1 of the 2018 Code of Corporate Governance (the "Code") states that "The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel." (emphasis added)

In this regard, we note that the Company has disclosed that, "In view of confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact remuneration received by each Executive Director of the Company, but in the bands of S\$250,000 disclosed as above.

In view of the confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact names and exact remuneration and the breakdown of remuneration in the forms of salary, bonus or other benefits received by the top five Key Management Personnel of the Group during FY2019. Accordingly, the aggregate remuneration paid to the top five Key Management Personnel for FY2019 will also not be provided in the Annual Report."

As required under Listing Rule 710, where the Company's practices vary from the provisions of the Code, please explain how the practices adopted are consistent with the intent of the relevant principle in the Code.

Company's response:

The Company has disclosed in the Annual Report the breakdown of the remuneration of each Executive Director in percentage terms in bands of \$250,000 and detailed breakdown of the remuneration of each Non-Executive Director.

In considering disclosure of remuneration of the top 5 key management personnel (each a "KMP" and collectively, the KMPs), the Company has regarded the industry conditions in which the Company operates as well as the confidential nature of such remuneration for each KMP. The Company believes that a detailed disclosure of the remuneration of each KMP on a name basis as recommended by the Code 2018 would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Company's talent pool.

For greater transparency on the total remuneration paid to the Directors and the KMPs for the year ended 31 December 2019, the Company wishes to inform shareholders that the total remuneration amounted to S\$1,405,000 and S\$796,000 respectively, which amounts are also disclosed in "Note 45(b) Related Party Transactions" to the Financial Statements on page 153 of the Annual Report.

The disclosure of the total remuneration paid to the Executive Directors, Non-Executive directors and KMPs provides further information consistent with the intent of Principle 8 of the Code.



By order of the Board
Mr Koh Kian Kiong
Executive Chairman and Chief Executive Officer
Date: 29 April 2020

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 county government.

