



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

THE PROPOSED DISPOSAL OF PROPERTIES LOCATED AT 47 GENTING ROAD, SINGAPORE 349489 AND 49 GENTING ROAD, SINGAPORE 349490 – EXERCISE OF OPTION TO PURCHASE

*Unless otherwise defined, all capitalised terms herein shall have the same meaning as in the Company's announcement dated 24 August 2022 in relation to the Company's wholly-owned subsidiary Federal Hardware Engineering Co. Pte. Ltd. (**"Vendor"**) granting an option to purchase to Markpoint Engineering Pte. Ltd. whereby the Vendor will sell each of the 2 properties (each a **"Property"** or collectively the **"Properties"**) situated at 47 Genting Road, Singapore 349489 and 49 Genting Road, Singapore 349490 respectively (**"Proposed Disposal"**) for an aggregate consideration of S\$16,800,000 (exclusive of prevailing goods and services tax (**"GST"**)) (**"Total Consideration"**) (the **"Option Announcement"**).*

1. INTRODUCTION

The Board of Directors (the **"Board"**) of Federal International (2000) Ltd (the **"Company"**) and together with its subsidiaries, the **"Group"**) wishes to announce that: -

- (1) on **27 October 2022** (**"Effective Date"**), the original option to purchase (**"No. 47 Genting Road Original Option"**) in relation to the Property at No. 47 Genting Road, Singapore 349489 at a consideration of S\$8,400,000 (exclusive of GST) was duly exercised by Markpoint Engineering Pte. Ltd. (**"Purchaser"**);
- (2) on the Effective Date, the original option to purchase (**"No. 49 Genting Road Original Option"**) which together with the No. 47 Genting Road Original Option shall hereinafter be referred to as the **"Original Options"**) in relation to the Property at No. 49 Genting Road, Singapore 349490 at a consideration of S\$8,400,000 (exclusive of GST) was duly exercised by the Purchaser; and
- (3) on or before the Effective Date, the Vendor's solicitors and the Purchaser's solicitors had exchanged letters to confirm that the acceptance page of each of the Original Options was to be duly signed by the Purchaser with the amended marked up option (each an **"Amended Option"** and together, the **"Amended Options"**) attached to the respective Original Option. Each Original Option will be deemed to be duly amended by the attached Amended Option for the respective property, and such amendments shall include without limitation the date of completion of the sale and purchase to 17 February 2023.

The exercise of the Original Options (as varied by their respective Amended Options) constitutes binding contracts for the sale and purchase of the Properties between the Vendor and the Purchaser respectively (collectively, the **"Binding Agreements"** and each a **"Binding Agreement"**) at the Total Consideration and on the terms and conditions stated in the Original Options (as varied by their respective Amended Options). The Binding Agreements shall ipso facto come into force with effect from the Effective Date.

The Proposed Disposal will constitute a major transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) (**"Listing Manual"**). Accordingly, the Proposed Disposal is subject to the Company's shareholders' approval.

The Purchaser is principally engaged in the business of building construction and electrical, plumbing and sanitary, gas works. The Purchaser is not related to the Group.

2. TOTAL CONSIDERATION AND VALUATION

The Total Consideration was arrived at on a willing-buyer, willing-seller basis after taking into consideration, *inter alia*, the valuation and general market conditions. The Vendor commissioned TEHO Property Consultants Pte. Ltd. (the “**Valuer**”) on 19 October 2022 to conduct a valuation of the Properties. The total value of both Properties is approximately S\$16,000,000. The “Market Comparison Approach” had been adopted as the basis of valuation, whereby transactions of comparable properties, the prevailing market condition and underlying economic factors which may influence the trend of the market value were taken into cognizance.

The Total Consideration for the Properties shall be paid in cash and shall be satisfied in the following manner (i) S\$168,000 being 1% non-refundable total option fees (“**Total Option Fees**”) in exchange for the grant of the Original Options (as varied by their respective Amended Options), (ii) S\$672,000 being 4% of the Total Consideration upon exercise of the Original Options (as varied by their respective Amended Options) (which together with the Total Option Fees forms the “**Total Deposit**”) and (iii) S\$15,960,000 being 95% upon completion of the Proposed Disposal. The Company has received the Total Deposit of 5% of the Total Consideration amounting to \$840,000 as at the date of exercise of the Original Options (as varied by their respective Amended Options).

The Purchaser shall bear any stamp duty payable on the exercise of their respective Original Options (as varied by their respective Amended Options).

3. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

The Board is of the view that the Proposed Disposal is in line with the Group’s business plan to dispose non-core assets and to strengthen the Group’s cash position. The Properties have a total book value of S\$13,800,000 as at 30 June 2022. There is a profit on disposal of approximately S\$3,000,000 of the Total Consideration over the said book value.

In May 2019, the Group vacated the Properties and consolidated its business operations into its current premises owned by the Group at 12 Chin Bee Drive, Singapore 619868. Since then, the Properties are fully rented out to a third party. Since the Group is no longer utilizing the Properties, the Proposed Disposal will not affect the Group’s existing core and main business.

The annual net cash inflow generated from renting out the Properties are S\$227,000, which translate to a net annual yield of the Properties at 1.64% based on the total book value of S\$13,800,000. The net annual yield is lower than the current weighted average interest rate for certain facilities granted to the Vendor, which is approximately 4% to 5% per annum.

The breakdown of net cash inflow are as follows:

	S\$'000
Rental income	246
Less: Property tax	(19)
Annual net cash inflow from renting out the Properties	227

The Group estimates that there will be net proceeds of approximately S\$16,600,000, arising from the Proposed Disposal, being the Total Consideration less estimated transactional expenses, of approximately S\$200,000 (“**Net Proceeds**”). The Properties are part of assets pledged to a bank for bank facilities. The Group is in discussion with its banks to revise new bank facilities. The Net Proceeds shall be used to pay down part of the bank facilities as well as for general working capital of the Group.

The breakdown of Group's bank borrowings as at 30 June 2022 are as follows:

	Group Bank Borrowings S\$'000	Remarks
Term Loans and Bank Overdraft	9,843	Bank facilities are in discussion with banks and under review with the proceeds from Proposed Disposal
Money Market Loan	3,000	Proceeds from the disposal of Tuas Property ⁽¹⁾ will likely be applied to pay down this loan
Trust Receipts	30,802	These are trade facilities granted for projects to be drawn on when required for trade purposes. Bank facilities are in discussion with banks and under review with the proceeds from Proposed Disposal
Total	43,645	

⁽¹⁾ Refer to the Company's announcement dated 3 January 2022 in relation to the proposed disposal of property at 11 Tuas Avenue 1 Singapore 639496 ("**Tuas Property**")

4. PRINCIPAL TERMS OF THE OPTION

The salient terms and conditions of the each of the Binding Agreements are as follows:

4.1 Conditions Precedent

4.1.1 The Proposed Disposal is subject to the following conditions, inter alia, being satisfied:

The sale and purchase herein is subject to and conditional upon the approval of the shareholders of the Company being obtained by way of a resolution validly passed at an extraordinary general meeting ("**EGM**") to be duly convened for the said purpose, and if required, the sale and purchase herein is also subject to and conditional upon the approval of SGX-ST. If the approval of the shareholders of the Company and/or the approval of SGX-ST (as the case may be) cannot be obtained by 26 January 2023 then the Vendor shall be at liberty to terminate the sale and purchase herein by written notice in that behalf to the Purchaser's solicitor whereupon the sale and purchase herein shall be treated as cancelled and rescinded and deemed abortive. The Purchaser shall at its own cost and expense withdraw all caveats lodged by the Purchaser or its mortgagees against the Properties and return all title deeds or documents relating to the Properties and upon the same being effected, the Vendor shall refund to the Purchaser the Deposit received and GST thereon paid by the Purchaser hereunder free of interest and neither party shall have any further demand, claim, right or action against the other, whether for costs damages compensation or otherwise.

4.1.2 The Proposed Disposal is subject to "The Singapore Law Society's Conditions of Sale 2020" (the "**General Conditions of Sale**") in so far as the General Conditions of Sale and the terms and conditions of this Agreement are not contrary to or in conflict with the following: -

- (i) Conveyancing & Law of Property (Conveyancing) Rules 2011 as promulgated under the Conveyancing & Law of Property Act (Chapter 61 of Singapore); and/or

- (ii) Singapore Academy of Law (Conveyancing Money) Rules 2011 as promulgated under the Singapore Academy of Law Act (Chapter 294A of Singapore) (if applicable).

Where the special conditions set out herein are in conflict with the General Conditions of Sale, the former shall prevail and the General Conditions of Sale shall be deemed to be modified so far as is necessary to give full effect to the terms and conditions of the Binding Agreement.

- 4.1.3 The Proposed Disposal is subject to the Purchaser's solicitors receiving satisfactory replies to all the usual legal requisitions and road and drainage interpretation plans sent by them to the various relevant government departments.

4.2 Completion

The scheduled date of completion for the sale and purchase of the Properties shall be on 17 February 2023.

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

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 (a) to (e) of the Mainboard Listing Manual based on the latest unaudited consolidated financial statements of the Group for the financial period ended 30 June 2022 ("HY2022") are as follows:

Listing Rule	Content	Relative Figures
1006 (a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. The basis is not applicable to an acquisition of assets.	21.38% ⁽¹⁾
1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	4.21% ⁽²⁾
1006 (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.	91.87% ⁽³⁾
1006 (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.	Not applicable
1006 (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.	Not applicable

Notes:

- (1) Computed based on the total net asset value of the Properties of S\$13,800,000 and net asset value of the Group of S\$64,536,000 as of 30 June 2022
- (2) Computed based on the total net profits attributable to the Properties of S\$113,000 for HY2022 pertaining to rental income net of related cost and net profits of the Group of S\$2,687,000 for HY2022
- (3) Computed based on Total Consideration of S\$16,800,000, and the Company's market capitalisation of S\$18,287,000. The Company's market capitalisation is determined by multiplying the 140,667,484 shares by the weighted average price of S\$0.13 on 26 October 2022, being the last traded market day immediately preceding the date of the exercise of option

Having regard to the above, as the relative figures computed on the base set out in Rule 1006 (a) and (c) of the Mainboard Listing Manual exceeds 20%, the Proposed Disposal constitutes a “major transaction” under the Mainboard Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of shareholders of the Company being obtained.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects set out below are for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following 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 financial effects set out below are based on the Group’s audited financial statements for the most recently completed financial year ended 31 December 2021 (“FY2021”).

6.1 Financial effect on net tangible assets (“NTA”) per Share

Assuming the Proposed Disposal has been completed on 31 December 2021, the financial effect of the Proposed Disposal on the NTA per Share of the Group would be as follows:

	Before Proposed Disposal	After Proposed Disposal
NTA (S\$'000)	60,248	63,048
Number of issued shares excluding treasury shares ('000)	140,667	140,667
NTA per share (cents)	42.83	44.82

6.2 Financial effect on earnings per share (“EPS”)

Assuming the Proposed Disposal has been completed on 1 January 2021, the financial effect of the Proposed Disposal on the EPS of the Group would be as follows:

	Before Proposed Disposal	After Proposed Disposal
Net profit after tax attributable to owners of the Company (S\$'000)	334	2,907
Weighted average number of issued Shares excluding treasury shares ('000)	140,667	140,667
EPS (cents)	0.24	2.07

7. EXTRAORDINARY GENERAL MEETING AND SHAREHOLDERS’ CIRCULAR

As stated in paragraph 4.1.1, the Company intends to convene an extraordinary general meeting (“EGM”) to seek shareholders’ approval for the Proposed Disposal. An announcement on the Notice of EGM with the circular to Shareholders of the Company setting out information on, among others, the Proposed Disposal will be released in due course.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors, controlling or substantial shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Disposal.

9. DOCUMENT FOR INSPECTION

Copies of the Original Options, Amended Options and the valuation report 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 Flshareholders_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.

11. OTHERS

The Company will make further announcements in relation to the Proposed Disposal as and when there are material developments.

By Order of the Board

Mr. Koh Kian Kiong
Executive Chairman and Chief Executive Officer

28 October 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.