



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

FEDERAL ENVIRONMENTAL & ENERGY PTE. LTD. AND FEDERAL INTERNATIONAL (SHANGHAI) CO, LTD

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Federal International (2000) Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the announcements made on 7 July 2017, 11 January 2018 (as clarified on 17 January 2018), 19 April 2018, 29 May 2019, and 3 March 2020 (the “**Announcements**”). Further to the Announcements, in particular the announcement on 11 January 2018 (as clarified on 17 January 2018), the Board wishes to provide an update to the Loan and the Personal Guarantee. Capitalized terms used in this announcement shall have the same meanings as defined in the Announcements unless the context requires otherwise.
- 1.2 To recap, the Group participated in the proceedings by Federal Environmental & Energy Pte Ltd (“**FEE**”) and its subsidiaries in making applications to the relevant Chinese court to compel the administrator of Federal Environmental (Panzhihua) Co Ltd (“**FEPZH**”) to recognize the debts owed to the FEE subsidiaries by FEPZH (the “**New Proceedings**”). The Group and GD have agreed that the Group will carry out the New Proceedings pursuant to, *inter alia*, GD guaranteeing S\$3.7 million of the loans made by the Group to FEE Water (China-PZH) Ltd (“**FEEW**”) that are due and payable (the “**Loan**”) by way of a personal guarantee (the “**Personal Guarantee**”) between GD and Federal Hardware Engineering Co. Pte. Ltd. (“**FHEC**”).
- 1.3 In connection with the above, the Board wishes to announce that the Group has entered into the following documents in relation to the Loan and Personal Guarantee:
- (a) a Deed of Settlement dated 28 December 2023 (the “**Deed of Settlement**”) among the Company, FHEC, FEE, and GD (collectively referred to as the “**Parties**”);
 - (b) a Share Sale and Purchase Agreement dated 28 December 2023 between the Company and GD (“**FEE SPA**”) for the transfer of the Company’s 1,300,000 shares (equivalent to 65% equity interest) in FEE, representing all of the Company’s equity interest in FEE, to GD;
 - (c) a Share Sale and Purchase Agreement dated 28 December 2023 between FHEC and GD or his nominee (“**FIS SPA**”) for the transfer of FHEC’s 65% equity interest in Federal International (Shanghai) Co, Ltd (“**FIS**”), representing all of FHEC’s equity interest in FIS, to GD or his nominee;
- (both disposal of FEE and FIS, collectively “**Proposed Disposals**”); and
- (d) a Personal Guarantee dated 28 December 2023 by Kenny Cai Wen Xing (“**KC**”) in favour of the Company (the “**KC Guarantee**”).
- (collectively, the “**Transactional Agreements**”).

- 1.4 FEE and FIS are in the business of trading of flowline control products. FEE is a 65%-owned subsidiary of the Company and FIS is a 65%-owned subsidiary of FHEC. FEE is also the holding company for the following entities in China and Singapore, holding 100% equity interest in each of the entities:
- (a) Federal Environmental Engineering (Shanghai) Co. Ltd ("**FEESH**"), company in the business of water and waste treatment projects, which in turn owns 100% equity interest in Federal Environmental Engineering (Suzhou) Co., Ltd ("**FEESZ**"), a company in the business of provision of management and consultancy services for environmental-related projects;
 - (b) FEE Investment Management Consultants (Shanghai) Co. Ltd ("**FIMC**"), a company in the business of provision of management and consultancy services that supports FEESZ's environmental-related projects;
 - (c) Federal Environmental (Chengdu) Pte Ltd ("**FECD**"), an investment holding company which owns 90% equity interest in Federal Water (Chengdu) Co., Ltd. ("**FEWCD**"), a company in the business of the supply of raw water, treated industrial tap water, and project consultancy services; and
 - (d) Federal Environmental (Southwest China) Pte Ltd ("**FESWC**"), an investment holding company and is dormant.

FEE, together with its subsidiaries and their respective subsidiaries (where applicable), shall collectively be referred to as the "**FEE Group**".

- 1.5 GD currently owns 35% of FEE and FIS and is a director of FIS, FEE and all FEE's subsidiaries. Save as disclosed, GD does not have any existing interest (whether direct or indirect) in shares of the Company, and is not related to any Directors nor the controlling shareholder of the Company.
- 1.6 KC is a business associate of GD. KC is also a shareholder and director of Longzhu Oilfield Services (S) Pte Ltd ("**Longzhu**"). Longzhu is a company incorporated and domiciled in Singapore. The principal activities of Longzhu are primarily involved in the business of oilfield services and global project logistics services and renting, transportation, storage agency for production equipment and related facilities, and to provide logistics services and local purchases.
- 1.7 No independent valuation was commissioned as FIS and FEE Group are in negative net worth with little or no prospects for the Group.

2. PRINCIPAL TERMS OF THE TRANSACTIONAL AGREEMENTS

Background

- 2.1 Pursuant to the Personal Guarantee, GD had guaranteed the repayment of the Loan, which was payable to FHEC in two tranches: (i) the first tranche of S\$1.1 million to be paid by 11 January 2019 ("**First Repayment Tranche**"), and (ii) the second tranche of S\$2.6 million to be paid by 11 January 2023 ("**Second Repayment Tranche**").
- 2.2 The First Repayment Tranche has been fully repaid. The Second Repayment Tranche remains outstanding in full.

- 2.3 The Company, FEE, and FHEC are affiliates in the same group of companies. Following a series of intercompany outstanding waivers and offsets, the obligation under the original amount owed to FHEC under the Second Repayment Tranche is now due by FEE to FI, and currently stands at S\$ 2,543,559 (the “**Outstanding Amount**”).
- 2.4 The Parties are desirous of settling the Outstanding Amount by: (i) GD taking over the repayment obligations of the Outstanding Amount and paying to the Company an aggregate amount of S\$2.3 million (the “**Settlement Amount**”), and (ii) the Company, the 100% shareholder of FHEC, transferring all shares in FEE held by the Company (amounting to 65% of all shares in FEE) to GD, and (iii) FHEC transferring all shares in FIS held by it (amounting to 65% of all shares in FIS) to GD or his nominee, both transfers at nominal consideration, in the manner and upon the terms and conditions in the Deed of Settlement.
- 2.5 The Parties agree that the Settlement Amount shall go towards the settlement of amounts owed by FEE to FI.

Salient Terms of the Deed of Settlement

- 2.6 The Settlement Amount shall be paid to the Company in three (3) tranches:
- (a) GD shall pay S\$800,000 to the Company within ten (10) business days from the date on which the Company receives all necessary corporate approval and/or regulatory approval (as and where necessary) as required under the Deed of Settlement (the “**Approvals Receipt Date**”);
 - (b) GD (or FEE as directed by GD) shall pay S\$750,000 to the Company within 12 months from the Approvals Receipt Date; and
 - (c) GD (or FEE as directed by GD) shall pay the remaining S\$750,000 to the Company within 24 months from the Approvals Receipt Date.
- 2.7 Upon the Company’s receipt of the full sum of the first tranche of S\$800,000:
- (a) the Company shall transfer to GD 1,300,000 shares in FEE; and
 - (b) FHEC shall transfer to GD (or his nominee) 65% of the equity interest in FIS.
- 2.8 GD shall procure a personal guarantee to be issued by KC in favour of the Company to secure the repayment of the second and third tranches of S\$1.5 million in aggregate.

Salient Terms of the FEE SPA

- 2.9 The consideration for the disposal of the 65% of shares in FEE shall be an aggregate amount in cash equal to the sum of US\$1.00.

Salient Terms of the FIS SPA

- 2.10 The consideration for the disposal of the 65% equity interest in FIS shall be an aggregate amount in cash equal to the sum of US\$1.00.

Salient Terms of the KC Guarantee

- 2.11 KC irrevocably and unconditionally, as principal obligor, (i) guarantees to the Company the due and punctual performance by GD of all his obligations towards the Company in accordance with the terms of the Deed of Settlement, (ii) undertakes to the Company that whenever GD shall fail to pay any such amount as and when due and payable or otherwise fail to meet his obligations or breach any terms under the Deed of Settlement, KC shall forthwith on written demand by the Company to KC, pay to the Company such amounts or damages which KC is liable to pay to the Company under or pursuant to the Deed of Settlement which have become due and payable but have not been paid at the time such demand is made, as if KC instead of GD was expressed to be the principal obligor; and (iii) indemnifies the Company on demand against any loss or liability suffered by it if any obligation guaranteed by KC is or becomes unenforceable, invalid or illegal.

3. RATIONALE FOR THE PROPOSED DISPOSALS

- 3.1 The Group's Energy and Utilities segment and Trading business in China undertaken by FEE Group and FIS respectively have not been performing and are operating under challenging and increasingly difficult conditions. Low margins and increasingly high operating expenditure led to operating losses over the years which consequently resulted in FEE Group and FIS in negative equity position [Operating Losses before Tax: 30 June 2023: (S\$383,000); FY2022: (S\$795,000) and Negative Net Worth: 30 June 2023: (S\$4,406,000); FY2022: (S\$4,267,000)]. Moreover, the respective local management teams have not been able to provide convincing prospects to justify to the Group management to provide further financial support to sustain the FEE Group and FIS.
- 3.2 In addition, the FEE Group and FIS efforts at the New Proceedings of which GD has relied on to fulfil his Personal Guarantee obligation have not been successful. Given the lack of further financial support from the Group and the challenges of foreign-controlled entities to raise funds in China, GD has requested a settlement under the terms of the Transactional Agreements. The proposed settlement contemplated by the Transactional Agreements allows the Group to recover S\$2.3 million over 3 years and releases the Group from further obligations of the FEE Group and FIS.
- 3.3 The receipt of S\$800,000 and S\$1.5 million subsequently will be used for general working capital.

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

4.1 The relative figures in relation to the Proposed Disposals computed on the applicable bases set out in Rule 1006 of the Listing Manual and based on the latest unaudited consolidated financial statements of the Group for the financial period ended 30 June 2023 (“HY2023”) are set out below:

Rule 1006	Bases	Relative Figures (%) ⁽¹⁾
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	(6.56)% ⁽²⁾
(b)	Net profit attributable to the assets acquired or disposed of, compared with the Group's net profits.	(19.28)% ⁽³⁾
(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.	14.70% ⁽⁴⁾
(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
(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) Percentage figures are rounded to the nearest two (2) decimal place.
- (2) Computed based on the total net liabilities of FEE group and FIS of S\$4,406,000 and net asset value of the Group of S\$67,120,000 as of HY2023.
- (3) Computed based on the total net losses attributable to FEE group and FIS of S\$383,000 compared with the Group's net profits of S\$1,987,000 in HY2023.
- (4) Computed based on the aggregate value of consideration of S\$2,544,000 and the Company's market capitalisation of S\$17,302,000.

The aggregate value of consideration is calculated by including (i) total proceeds for disposal of equity interest in FEE and FIS of US\$2 or S\$3 (The indicative exchange rate used is US\$1: S\$1.3352, being the rate extracted from www.oanda.com as at 30 November 2023), (ii) Settlement Amount of S\$2,300,000 and (iii) waiver of outstanding amounts owed by FEE to the Company of S\$244,000 as of 30 November 2023, being the immediate month end preceding the date of the Transactional Agreements.

The Company's market capitalisation is calculated by multiplying the 140,667,484 shares by the weighted average price of S\$0.123 per share as at 27 December 2023, being the market day immediately preceding the date of the Transactional Agreements.

- 4.2 Rule 1010 of the Listing Manual states, inter alia, that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 5% but does not exceed 20%, the transaction is classified as a “discloseable transaction”. The relative figures for the Proposed Disposals as computed on the bases set out in Rule 1006 of the Listing Manual exceed 5% but does not exceed 20%. As such, the Proposed Disposals will be classified as a “discloseable transaction” for the purpose of Chapter 10 of the Listing Manual.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSALS

The financial figures set out below are for **illustrative purposes only** and do not necessarily reflect the actual results and financial performance of the Group after the Proposed Disposals. No representation is made as to the actual financial position and/or results of the Group after the completion of the Proposed Disposals.

- 5.1 The following financial effects of the Proposed Disposals are computed based on the following bases and assumptions:
- (a) the financial effect on the net tangible assets (“NTA”) per share is computed based on the assumption that the Proposed Disposals had been effected on 31 December 2022 (being the end of the latest audited financial year for the Group); and
 - (b) the financial effect on the earnings per share (“EPS”) is computed based on the assumption that the Proposed Disposals had been effected on 1 January 2022 (being the beginning of the latest audited financial year for the Group).

NTA per share

Particulars	Before the Proposed Disposals	After the Proposed Disposals
NTA (S\$ '000)	64,846	69,113
Number of issued shares excluding treasury shares ('000)	140,667	140,667
NTA per share (cents)	46.10	49.13

EPS

Particulars	Before the Proposed Disposals	After the Proposed Disposals
Profit/(loss) attributable to shareholders of the Company (S\$ '000)	2,504	(1,097)
Weighted average number of issued shares excluding treasury shares ('000)	140,667	140,667
EPS (cents)	1.78	(0.78)

5.2 Financial Effects to Second Half of Financial Year 2023 (“2H2023”)

(a) Total Book Value or Total Net Liabilities for FEE Group and FIS

Based on the Group’s latest unaudited consolidated financial statements for HY2023, the total book value or total net liabilities of FEE group and FIS were S\$4,406,000. Hence there is an excess of approximately S\$4,406,000 of the total proceeds for disposal of equity interest in FEE and FIS of US\$2 or S\$3 over the said total book value or total net liabilities.

(b) Gain on Proposed Disposals of FEE Group and FIS in 2H2023

Based on the Group’s latest unaudited consolidated financial statements for HY2023, gain on Proposed Disposals of FEE group and FIS amounts to approximately S\$2,080,000 on the assumption that the Proposed Disposals are effected in 2H2023 and after taking into effect of the followings:

- (i) excess of total proceeds over total net liabilities of approximately S\$4,406,000 (as set out in paragraph 5.2 (a) above);
- (ii) adding cumulative foreign currency translation reserve of approximately S\$157,000;
- (iii) adding statutory reserve of approximately S\$247,000;
- (iv) subtracting non-controlling interest of approximately S\$2,730,000.

6. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Disposals. Accordingly, no service contract is proposed to be entered into between the Company and any such person in relation to the appointment as a Director, in connection with the Proposed Disposals.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholdings in the Company (if any), none of the Directors or controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Disposals.

8. FURTHER ANNOUNCEMENTS

The Company will make such further announcements at the appropriate juncture as and when there are material developments in relation to the Proposed Disposals.

9. CAUTION IN TRADING

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.

BY ORDER OF THE BOARD
FEDERAL INTERNATIONAL (2000) LTD.

Mr Koh Kian Kiong
Executive Chairman & Chief Executive Officer
28 December 2023

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.