

Issuer: Federal International (2000) Ltd **Security:** Federal International (2000) Ltd

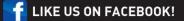
Meeting details:

Date: 27 April 2018 Time: 10:00 a.m. Venue: 47 Genting Road, Singapore 349489

Company Description

Federal International (2000) Ltd, an investment holding company, designs, manufactures, assembles, distributes, and provides flowline control products and services for the oil and gas, petrochemical, and refinery industries in Singapore and internationally. It operates through six segments: Trading, Manufacturing/Design/Research and Development, Marine Logistics, Energy and Utilities, Resources, and Corporate and Others. The Trading segment supplies, assembles, and distributes flowline control products; distributes oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms; and offers fire protection and detection systems. It also provides electrical products for marine, coal mining, oil and gas, petrochemical, and pharmaceutical industries. The Manufacturing/Design/Research and Development segment researches, develops, designs, and manufactures flowline control products, high pressure and temperature valves, and related oilfield products. The Marine Logistics segment charters vessels to the offshore oil and gas, and other related industries. The Energy and Utilities segment procures and constructs projects of waste water treatment facility; and provides wastewater treatment services to the end-users. The Resources segment sells and mines coal and other natural resources. The Corporate and Others segment engages in the operation and maintenance of oil and gas facility services. The company also offers management and consultancy services for environmental-related projects; supplies raw water and treated industrial tap water; and provides project consultancy services. In addition, it engineers, procures, constructs, manages, trades in, and markets commodities; deals in oilfield engineering materials; and operates as a hardware merchant. Federal International (2000) Ltd was founded in 1974 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BDU)





Q1. On 16 March 2018, the company provided shareholders with an update on the investigations of certain suspected allegations in the company's subsidiaries, Alton International Resources Pte Ltd ("AIR") and PT Alton International Resources ("PT AIR") that first surfaced in 2013.

In the original announcement dated 30 August 2013, the Internal Auditor, in May 2012, had then issued a report contains allegations of misconduct by two key management personnel of the relevant Subsidiaries, such as the approval and payment of questionable payments to third party/(ies), involvement in questionable transactions leading to various coal trading losses, and involvement in questionable advance payments and deposits.

Following a factual assessment by Ernst & Young Advisory Pte. Ltd., a police report was made by the company on 31 August 2013. In the company's announcement, it was disclosed that, of the two key management personnel in question, one had tendered her resignation on 14 March 2011 while the other manager had his employment within the group suspended.

In the latest update by the company, it was disclosed that the company's executive director, Mr. Koh Beng Guan, Don, was investigated by the Corrupt Practices Investigation Bureau on 14 March 2018 and is currently on bail in relation to an alleged offence under Section 6(b) of the Prevention of Corruption Act (Chapter 241).

- a) Can the board help shareholders understand if the group's operations, especially that of Alton International (S) Pte Ltd and its subsidiaries, are affected by the investigation of the executive director by CPIB?
- b) Is Mr. Koh Beng Guan, Don able to travel to carry out his duties (including travelling in the region for business) as the company's executive director and as the Managing Director of Alton International (S) Pte Ltd?
- c) Can the audit committee explain in greater detail how it has improved the internal controls and risk management framework of the group since 2012? What were the areas where substantial improvements have been made?

Q2. Would the company provide more clarity on the following matters relating to the group's operations? Specifically:

- a) PT Gunanusa Utama Fabricators (PTG): What is the group's level of oversight, control and influence at PTG? Is the group actively driving PTG to a listing on the Jakarta Stock Exchange in 2018?
- b) Chengdu industrial waterplant: Would management provide a holistic overview of the state of operations of the waterplant? With the minimum guaranteed fees by the local Xinjin County government set to end in 2018, how will the revenue and cash flow be affected?
- c) Federal II: The group has a 30% interest in PT Eastern Jason which owns Federal II, a converted a floating, storage and offloading vessel ("FSO"), currently being chartered to China National Offshore Oil Corporation ("CNOOC"). The current charter will end on 6 September 2018 and CNOOC has an option to extend the charter for another 5 years thereafter to 6 September 2023. What is the current charter rate for Federal II? Can management also update shareholders on the current market trends and rates for FSOs? Has management started engaging CNOOC on their option to extend the charter for another 5 years?

Q3. In the Business and Financial Review (page 11), the group states that its core business segment is Trading which contributes 98% of total revenue.

Yet, in Note 44 (page 125 – Segment information), it was disclosed that the group, for management purposes, is organised into business units based on products and services. And the group has six such reportable operating segments as follows:





- Trading segment is a supply of assembly and distribution of flowline control products, distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, provision of complete fire protection and detection systems, as well as electrical products for the marine, coal mining, oil and gas, petrochemical and pharmaceutical industries. In these respects, the Group offers products and related services in the areas of oil and gas, power, petrochemical and pharmaceutical industries.
- Manufacturing/Design/Research and Development segment is involved in research, development, design and manufacture of flowline control products, high pressure and temperature valves and related oilfield products.
- Marine Logistics segment is in the business of chartering of vessels to the offshore oil and gas and other related industries.
- Energy and Utilities segment is involved in procurement and construction projects of waste water treatment facility and provision of wastewater treatment services to the end-users.
- Resources segment is in the business of sales and mining of coal and other natural resources.
- Corporate and Others segment is involved in Group level corporate services and treasury functions and operating and maintenance of oil and gas facility services.

Over the years, the group has made investments into non-trading areas such as waterplant, floating, storage and offloading vessel, and rigs and the results have been mixed.

- a) Has the board evaluated the group's returns from its "diversification" efforts?
- b) What is the group's capital allocation framework?
- c) Would the board consider it opportune to review past investments, assess the group's strengths, human capital and financial position to refine the group's strategy?

