



**Securities Investors Association (Singapore)**

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

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

**Meeting details:**

Date: 30 April 2019

Time: 10.00 a.m.

Venue: 47 Genting Road, Singapore 349489

**Company Description**

Federal International (2000) Ltd is an investment holding company. The Company operates through six segments: Trading segment, which is engaged in supply of flow line control products, as well as provision of fire protection and detection systems; Manufacturing/Design/Research and Development segment, which is involved in research, design and manufacture of flow line control products, and high pressure and temperature valves; Marine Logistics segment, which is engaged in the chartering of vessels to the offshore oil and gas, and other related industries; Energy and Utilities segment, which is involved in procurement and construction projects of waste water treatment facility; Resources segment, which is engaged in the sale and mining of coal and other natural resources, and Corporate and Others segment, which is involved in operating and maintenance of oil and gas facility services. Its subsidiaries include Federal Energi Pte. Ltd., KVC (UK) Ltd and PT Federal International.

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

**Q1.** Would the board/management provide shareholders with better clarity on the following operational/financial matters? Specifically:

- (i) Inventories:** Even as revenue dropped by two-thirds, the group’s inventories held steady at \$12.6 million (Note 13 – Inventories). **Would management help shareholders understand its restocking policy? Has management adjusted to the volume of business and reduce its inventory holdings accordingly? What is the reason for the elevated and increasing allowance for slow moving inventories (2018: \$927,000; 2017: \$733,000)?**
- (ii) Sundry income:** Why did sundry income increase from \$670,000 in FY2017 to \$1,256,000 in FY2018?
- (iii) Fee from litigation funding agreement:** What is the nature of the \$300,000 recognised as fee from litigation funding agreement? (page 109 – (Loss)/profit before tax: Other income)
- (iv) PT Eastern Jason (“PTEJ”)/Federal II:** What is the charter rate for Federal II under the new 5-year charter that started on 6 September 2018?

**Q2.** In Note 14 (page 96 – Trade receivables), as at 31 December 2018, the carrying amount of trade receivables was \$23.867 million. In particular, it was disclosed that the trade receivables past due more than 120 days was \$9.148 million, up from \$3.817 million.

The Group has trade receivables amounting to \$13,476,000 (2017: \$27,635,000) that are past due at the end of the financial year but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the financial year is as follows:

	Group	
	2018 \$'000	2017 \$'000
Trade receivables past due:		
Less than 30 days	2,338	7,900
30 to 60 days	1,057	11,406
61 to 90 days	500	2,869
91 to 120 days	433	1,643
More than 120 days	9,148	3,817
	13,476	27,635

(Source: Company annual report)

- (i) Would management help shareholders understand the reason for the significant increase in trade receivables past due by more than 120 days but not impaired?**
- (ii) Can management provide a more detailed analysis with the appropriate ageing bands and the upper limit?**

- (iii) What is the profile of the customers with long outstanding debt?
- (iv) What are management's efforts to collect on the outstanding debt?
- (v) How did management assess the credit risk of the debtors?

**Q3.** In the Corporate Governance statement, the company disclosed the following on directors' remuneration:

The following information relates to the remuneration received or to be received by the Directors from the Company and its subsidiaries for FY2018:

Directors of the Company	Fees	Salary	Bonus	Other Benefits	Total
<b>S\$500,000 to S\$750,000</b>					
Mr Koh Kian Kiong	–	94%	–	6%	100%
<b>S\$250,000 to S\$499,999</b>					
Ms Maggie Koh	–	90%	–	10%	100%
Mr Koh Beng Guan, Don	–	90%	–	10%	100%
<b>Less than S\$250,000</b>					
Mr Heng Lee Seng	100%	–	–	–	100%
Mr Yee Kee Shian, Leon	100%	–	–	–	100%
Mr Khoo Boo Yeow, Andrew	100%	–	–	–	100%
Mr Loh Eu Tse, Derek <sup>^</sup>	100%	–	–	–	100%

(Source: Company annual report)

The three executive directors were paid an estimated \$1.165 million based on the disclosure in Note 45 (page 138 – Compensation of key management personnel).

**Compensation of key management personnel**

	Group	
	2018 \$'000	2017 \$'000
Directors' fees	198	190
Short-term employee benefits	1,755	2,159
Defined contributions	91	109
Other short-term benefits	66	66
Total compensation paid to key management personnel	2,110	2,524
Comprise of amounts paid to:		
Directors of the Company	1,363	1,790
Other key management personnel	747	734
	2,110	2,524

(Source: Company annual report; emphasis added)

In the financial year, the group recorded net loss of \$6.5 million for FY2018 but the executive directors received \$1.165 million as basic salary.

- (i) Is a significant and appropriate proportion of the executive directors' remuneration linked to corporate and individual performance?**
- (ii) When did the remuneration committee (RC) last review the remuneration structure of the executive directors?**
- (iii) Did the RC carry out any benchmark with appropriate peers?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

[https://sias.org.sg/qa-on-annual-reports/?company=Federal%20International%20\(2000\)%20Ltd&cid=6695,4614](https://sias.org.sg/qa-on-annual-reports/?company=Federal%20International%20(2000)%20Ltd&cid=6695,4614)

The company's response could be found here: -----