



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Federal International (2000) Ltd.

Stock code: BDU

Meeting details:

Date: 28 April 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Despite the pandemic, the group's revenue in FY2020 increased by 8.9% to \$68.1 million in FY2020. This was mainly attributed to higher sales from trading business in China, Thailand, and Vietnam.

As disclosed in the business and financial review (page 11), revenue contribution from China rose by 44.6% from \$19.5 million in FY2019 to \$28.2 million in FY2020 as a result of increased demand for ship scrubbers. Vessels have to be retrofitted with scrubbers to comply with International Maritime Organization ("IMO") 2020 regulations which limit sulphur in shipping fuels to 0.5%.

- (i) **For the benefit of shareholders, can management provide greater clarity on the group's core competency as a "procurement specialist" serving the offshore marine, oil and gas industry? What value-add does the group provide?**
- (ii) **With greater digitalisation by suppliers and manufacturers, will the group's position in the value-chain be eroded as customers and manufacturers bypass the middleman?**
- (iii) **How much visibility does the group have in relation to the underlying demand by PT Gunanusa Utama Fabricators ("PTG")?**
- (iv) **Can management help shareholders understand if the group's experience in procurement for the oil & gas segment is transferable to infrastructure (land) projects?**
- (v) **As at 31 December 2020, the group's inventories increased to \$16.7 million from \$10.1 million a year ago. Can management help shareholders understand how it manages inventory/obsolescence risks?**

Q2. As noted in the letter to shareholders, the group recognised net impairment loss on financial assets of \$(4.8) million in FY2020 and in FY2019. For FY2020, the impairment loss of \$(4.8) million was mainly due to defaults by several customers from the Indonesian trading business segment.

For FY2019, the \$(4.8) million impairment loss was the result of an impairment loss on non-current other receivables of \$(2.0) million and net impairment loss on current receivables of \$(2.8) million. The non-current other receivables relate to the loan made to a shareholder of an investee company after taking into consideration the fair value of pledged shares.

The group's credit risk policy states that it trades only with recognised and creditworthy third parties and customers are subject to credit verification procedures.

- (i) **Has the board reviewed the group's compliance with its credit risk policies?**
- (ii) **Given the heightened uncertainty in the global economy, has the group tightened its credit policy, especially for new customers and even old customers who might be in financial distress?**

As shown in Note 40(a) (page 137 – Financial risk management objectives and policies), other than Indonesia (which is the group's traditional market), the group has significant trade receivables from customers in Thailand. The amount of \$8.2 million is nearly 30% of all outstanding trade receivables as at 31 December 2020.

- (iii) **Can management help shareholders understand if the outstanding trade receivables from its Thai customers is current?**
- (iv) **How is management working with customers to collect on the long outstanding receivables?**

Q3. The board comprises seven directors, four of whom are deemed independent. The biographies of the board directors can be found on pages 6 to 8 of the annual report.

The independent directors are Mr Yee Kee Shian, Leon (lead independent director), Mr. Mr Khoo Boo Yeow, Andrew, Mr Loh Eu Tse, Derek and Mr Hoon Tai Meng. All four independent directors have formal legal training.

Mr Koh Kian Kiong, Ms Maggie Koh and Mr Koh Beng Guan, Don, being the executive directors of the company, are immediate family members.

- (i) **Can the board elaborate further on how the current board, as a group provide an appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate?**
- (ii) **What is the level of industry knowledge and familiarity of the oil and gas, energy and marine industries of the independent directors?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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