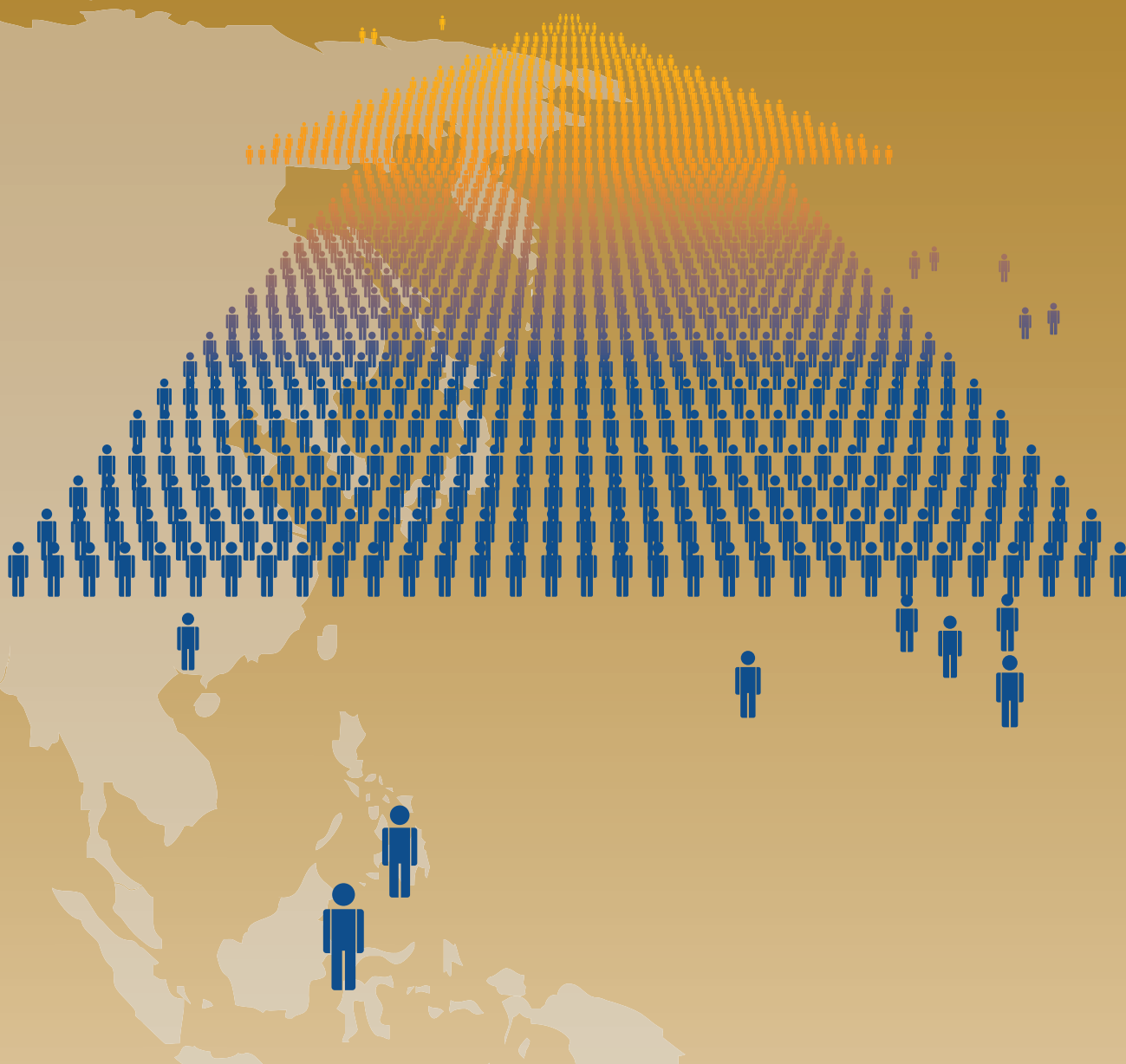
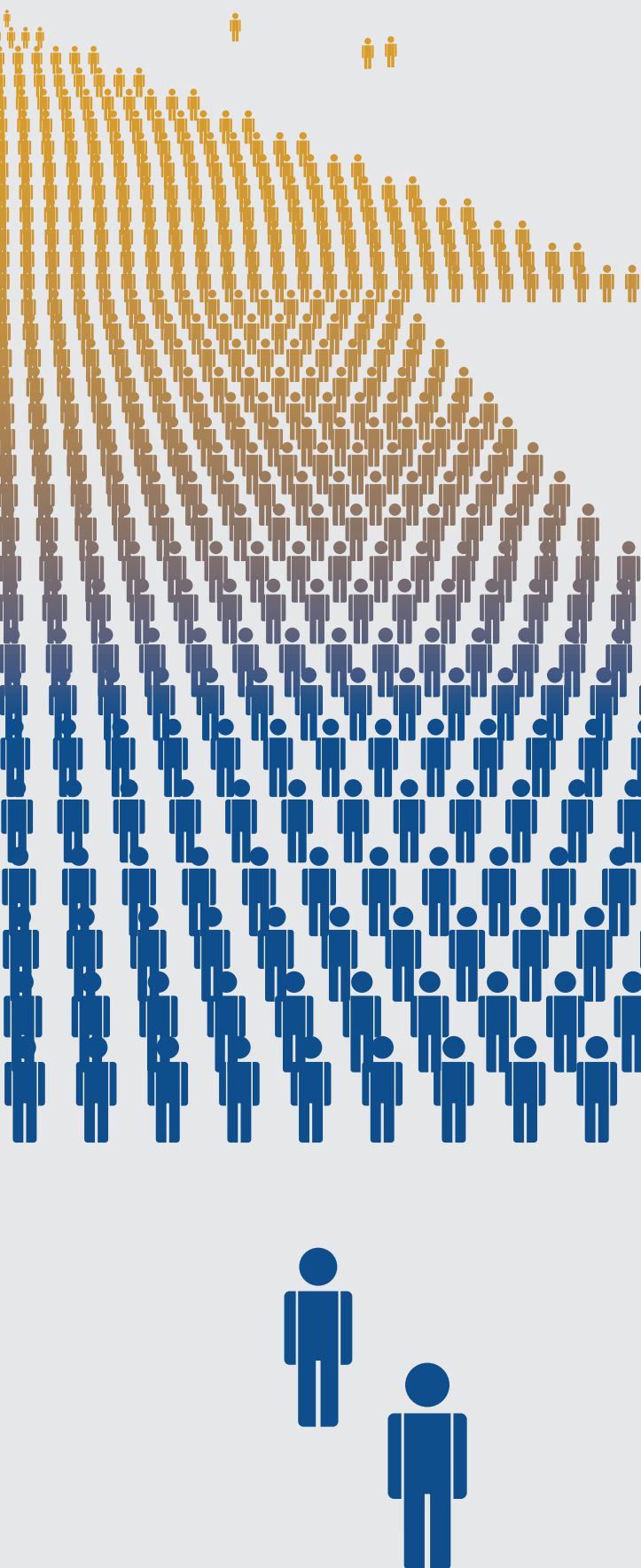


MAKE IT HAPPEN

ANNUAL REPORT 2016





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VISION

TO DEVELOP AND ACQUIRE
PROFITABLE BUSINESSES
WHICH CAN GENERATE
SUSTAINABLE RETURNS TO
THE SHAREHOLDERS.

CORPORATE PROFILE

PSL Holdings Limited ("PSL") is an investment holding company. It was incorporated in Singapore as PSL Holdings Pte Ltd on 9 October 1997 and changed its name to PSL Holdings Limited on 5 August 1998. PSL was listed on Stock Exchange of Singapore Dealing and Automated Quotation System (SESDAQ) on 9 October 1998 and on 12 May 2009, its listing was transferred to the Mainboard of Singapore Exchange Securities Trading Limited (SGX-ST).

Through its operating subsidiaries, PSL is engaged in businesses relating to:

- Provision of land logistics and support services;
- Provision of marine logistics through its 12 sets of tugboats and barges; and
- Trade and supply of construction materials and related equipment.

PSL is looking to expand its operations through the acquisition of businesses in the ASEAN region to develop new revenue streams and improve its financial performance so as to generate long term sustainable returns to the shareholders.

LETTER TO SHAREHOLDERS



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of PSL Holdings Limited (the "Company" or "PSL") and together with its subsidiaries (the "Group"), I am pleased to present to you our annual report for the financial year ended 31 December 2016 ("FY2016"). I would also like to take the opportunity to share some of the strategic directions of our current management team.

Financial Review

With the former management's completion of the acquisition of 49% stake in PT Momentum Indonesia Investama ("PT MII") in November 2015, our financial results reflect a month's contribution from PT MII for the financial year ended 31 December 2015 and a full twelve months contribution for FY2016.

With the inclusion of PT MII, FY2016 revenue increased by 163.8% to S\$21.1 million from S\$8.0 million in FY2015. Gross profit increased by 341.9% to S\$3.3 million from S\$0.7 million while our gross profit margin improved from 9.2% to 15.5% for the period under review.

Other income increased from S\$0.3 million in FY2015 to S\$4.7 million in FY2016, mainly due to the recognition of the fair value on remeasurement of profit guarantee from the vendors of PT MII, and other gains increased from S\$0.7 million in FY2015 to S\$1.6 million in FY2016 mainly due to the foreign exchange gain arising from the revaluation of USD relating to shareholders' loan and payables.

Following the acquisition of PT MII by the former management in 2015, the actual results achieved fell significantly below PT MII's profitability projections. After assessing PT MII's operating results and the possibility of recovering the loan of US\$11.5 million and dividends from PT MII, the management, in accordance with the Singapore Financial Reporting Standards, is required to assess the recoverable values of the assets relating to the investment in PT MII. Based on the management's assessment, the Group recognised the impairment losses relating to the vessels, goodwill and other intangible assets amounting to S\$35.4 million. This significantly caused the general and administrative expenses to increase from S\$3.1 million in FY2015 to S\$39.8 million in FY2016.

Our finance expenses rose from S\$0.1 million in FY2015 to S\$0.8 million in FY2016 due to the interest expense and amortisation cost on shareholder loans granted to PT MII.

As a result, the Group recorded a net loss of S\$27.9 million in FY2016 compared with a net loss of S\$1.5 million in FY2015.

Business Review

The former management's acquisition of a 49% stake in PT MII facilitated the Group's entry into the Marine Logistics business which specialises in offering vessel chartering, logistics and equipment services. The former management believed that the PT MII acquisition would help to enhance both revenue and earnings. However, their projection of the revenues from its contract with Geo Coal International Pte Ltd, a wholly-owned subsidiary of Geo Energy Resources Limited, did not materialise, resulting in the impairment losses mentioned earlier.

The ongoing dispute with PT MII (see Review of Financial Performance for details) derailed our 2016 growth plans. The Group is thus continuing with court proceedings to seek payment of the US\$6.0 million profit guarantee by the vendors of PT MII pursuant to the terms in the Conditional and Supplemental Sale and Purchase Agreements.

The Group's construction logistics business continues to face price competition resulting from a general decline in the construction industry in Singapore. Given this challenging business environment, we have taken measures to reduce operating costs, while stepping up our risk management efforts. We have adopted a more cautious approach, in considering profitability and collection when contracting new projects.

Our steel trading business is relatively immaterial and not expected to contribute significantly in the short term. We accordingly intend to explore the possibility of an extension of the trading business to other commodities such as coal.

Opportunities in ASEAN

The Group's strategic direction is to seek out new business opportunities in areas of growth so as to build up new business and income streams to deliver sustainable long term returns to the shareholders. In this regard, the Group is exploring opportunities to invest in areas that it can derive income constituting dividends, management fees, and rental income. This includes the acquisition of immovable assets and other operating businesses in the ASEAN region. In addition, the Group is evaluating various Merger and Acquisition ("M&A") opportunities that will complement the Group's growth as a whole.

The intention of the M&A strategy is to derive financial gains to improve our financial performance with the consolidation of profitable businesses, while developing new engines of growth to propel us forward. It will allow us to spread dependency risk on any one business or industry. However, we remain cognisant not to overextend, while simultaneously building up our management team and professional talents.

In terms of geographical proximity, we are looking at the ASEAN countries as they are our natural neighbourhood and present exciting opportunities. The 10 ASEAN countries combined was forecasted to have an estimated Gross Domestic Product ("GDP") of US\$2.5 trillion in 2016, which surpasses several big economies, and ASEAN's GDP is projected to be in the region of US\$6.4 trillion by 2027.¹

As ASEAN becomes increasingly integrated as a market especially with initiatives like the ASEAN Economic Community ("AEC"), it presents a tremendous potential for businesses with its total market size of 625 million people. In 2012, it was estimated that 190 million people in Southeast Asia could be defined as middle class and this figure is projected to more than double to 400 million people by 2020.² We are also seeing a trend of ASEAN middle class aspirations becoming more urban, with many gravitating towards modern cities to work and live. This spurs strong real estate demand.

¹ <http://www.businessmirror.com.ph/asean-seen-to-exceed-gdp-of-big-economies>

² <https://qz.com/591380/southeast-asias-middle-class-is-diverse-confident-and-growing-richer-by-the-day>

New Areas of Diversification

We expect the rising prosperity and urbanisation in ASEAN to contribute to investment and growth in its real estate industry. The Group has thus identified the property business as a new growth area to explore. We intend to be involved in the development and/or investment in residential, industrial, hospitality or commercial real estate projects in major city centres in Indonesia, Malaysia and Myanmar. We are also interested in the purchase and holding of properties for rental, capital growth, and/or the provision of property related services and facilities.

Another area that we are keen to explore is the food industry, especially in relation to the manufacturing and distribution of food products. With robust consumption in ASEAN propelled by a rapidly growing consumer class, rising incomes, and urbanisation, some US\$770 billion in new consumer spending in ASEAN is expected to be generated in the ensuing years.³ Together, with the impetus towards the harmonisation of food standards under the auspices of AEC, ASEAN presents an interesting growth market for the food industry.

As we work towards diversifying the Group's business, we will manage our risks carefully. To this end, we will set up a working committee to assess project risks and they will report to the Audit Committee. For a start, we intend to limit our geographical focus to the countries of Indonesia, Malaysia and Myanmar, and intend to work with our business partners in those countries. At the same time, we feel that the property and food industries have a certain degree of resilience, given that they are related to the basic needs of individuals. By approaching each project in a careful and considered manner, we believe that we will be able to steadily build up pillars of growth for PSL. We will use a combination of internal resources, debt and equity to fund our potential investments in line with our strategy.

Acknowledgements

On behalf of the Group, I would like to express my appreciation to our customers, business partners, and associates for their unwavering support. I would like to also thank the directors and staff for their relentless dedication and hard work as PSL goes through this period of transition.

Lastly, we wish to thank our valued shareholders for their continuous faith in the Group, and especially in the current management in charting the strategic business direction of the Group. The Board and management will continue with its efforts to acquire and build businesses that can help to improve the Company's financial performance so as to enhance shareholder's value.

Mr Suctpto

Non-Executive Chairman

³ <https://foodindustry.asia/asean-s-billion-dollar-opportunity>

REVIEW OF FINANCIAL PERFORMANCE

Reference is made to the Company's announcements dated 22 August 2016, 15 September 2016, 7 October 2016, 24 November 2016, 30 November 2016, 18 January 2017 and 24 January 2017 regarding the dispute between, among others, Mr Sudirman Kurniawan ("Sudirman") and the Company (the "PT MII Dispute") arising out of the Conditional Sale and Purchase Agreement dated 17 March 2015 and the Supplemental Sale and Purchase Agreement dated 3 August 2015 (collectively, the "SPA") entered into between Sudirman, Angelo Fernandus ("Angelo") and the Company for the acquisition by the Company of approximately 49% of the entire issued and paid-up capital of PT MII.

Since the Company's announcement on 30 November 2016 regarding the proceedings in Batam between, among others, Sudirman and the Company (the "Batam Proceedings"), the parties to the Batam Proceedings have further appeared before the District Court of Batam on 7 December 2016, 19 December 2016, 28 December 2016, 11 January 2017, 18 January 2017 and 1 February 2017.

This notwithstanding, Sudirman's counsel has applied for, among others, provisional judgment to restrain the Company and Angelo from exercising any rights under certain clauses of the SPA relating to the right of the Company to appoint directors to the board of PT MII, and the Company's counsel has requested for more time to file its response. The next hearing has been adjourned to 17 May 2017.

The outcome of the ongoing PT MII Dispute in the Indonesian courts may affect the classification of PT MII in the Group's financials and thus impact the Group's consolidated financials. The Group continues with the Singapore court proceedings to seek payment of US\$6.0 million profit guarantee to the Company by Sudirman and Angelo pursuant to the SPA.

As announced on 18 January 2017, the Company has succeeded in its application for, among others, that Sudirman and Angelo shall procure the appointment(s) of such person(s) to the board of directors of PT MII as shall be nominated by the Company. Subsequently, two of the Company's

nominees have been appointed to the board of directors of PT MII on 21 February 2017, and the Company's auditors have been granted access to PT MII's records on 20 February 2017. PT MII has thus been consolidated in the financial results of the Group for FY2016.

With the completion of acquisition of PT MII by former management in November 2015, the financial results for FY2016 reflect a full twelve months of contribution from PT MII, while the financial results for FY2015 contains only one month of contribution.

Financial Performance

In FY2016, the Group's revenue increased by 163.8% or S\$13.1 million to S\$21.1 million from S\$8.0 million in FY2015, mainly due to the contribution from PT MII. Correspondingly, gross profit increased by S\$2.5 million or 341.9% from S\$0.7 million in FY2015 to S\$3.3 million in FY2016. For the period under review, the Group's gross profit margin improved from 9.2% in FY2015 to 15.5% in FY2016.

Other income increased from S\$0.3 million in FY2015 to S\$4.7 million in FY2016 mainly due to the recognition of the fair value on remeasurement of profit guarantee from the vendors of PT MII, and there was an increase in other gains from S\$0.7 million in FY2015 to S\$1.6 million in FY2016, mainly due to the foreign exchange gain arising from the revaluation of USD for shareholders' loan and payables.

General and administrative expenses increased by S\$36.7 million or 1190.3% from S\$3.1 million in FY2015 to S\$39.8 million in FY2016. The increase is mainly due to the recognition of impairment losses. Following the acquisition of PT MII by the former management, the actual results of PT MII were significantly lesser than the profitability projections. Therefore, after assessing the current business environment and the possibility of future recovery, the Group recorded impairment losses relating to the vessels, goodwill and other intangible assets amounting to S\$35.4 million.

Finance expenses increased from S\$0.1 million in FY2015 to S\$0.8 million in FY2016 mainly due to the interest expense and amortisation cost on shareholder loans granted to PT MII.

Based on the above, the Group recorded a net loss of S\$27.9 million in FY2016 compared to a net loss of S\$1.5 million in FY2015.

Cash Flow

The Group's cash and cash equivalents stood at S\$10.7 million as at 31 December 2016. Net cash used in operating activities was S\$1.3 million in FY2016 compared to S\$2.4 million in FY2015, mainly due to the cash used in working capital.

Net cash used in investing activities was S\$0.3 million in FY2016 as compared to net cash used in investing activities of S\$2.7 million in FY2015. In FY2015, the Group received a refund of the remaining deposit of S\$5.3 million from the investment in Longmen Group Limited and proceeds from disposal of subsidiaries of S\$4.4 million, which was partially offset by the partial deposit placed for the acquisition of the Marine Logistics business.

Net cash generated from financing activities was S\$1.4 million in FY2016 compared to net cash used in financing activities of S\$16.5 million in FY2015, mainly due to the issuance of shares in PSL Holdings Limited and proceeds from borrowings.

Financial Position

The Group's property, plant and equipment and intangible assets decreased from S\$66.7 million to S\$31.1 million mainly due to the recognition of impairment losses. Non-current trade and other receivables decreased from S\$1.4 million to S\$0.6 million mainly due to the decrease in the amount due from a related party.

Cash and cash equivalent increased from S\$12.4 million to S\$14.2 million mainly due to the proceeds from the Company's share placement exercise, while trade and other receivables increased from S\$3.7 million to S\$11.7 million mainly due to the acquisition of PT MII. Inventories increased from S\$0.2 million to S\$0.3 million due to the additional purchases of diesel and spare parts.

Trade and other payables increased from S\$12.3 million to S\$14.8 million mainly due to the increase in other payables. Bank borrowings increased to S\$1.9 million mainly due to the banking facility obtained by subsidiary for its working capital. Total finance lease liabilities decreased mainly due to repayments.

New Developments

The Group's construction logistics business will continue to face greater competition with the general decline in Singapore's construction industry. As such, the Group has taken measures to reduce its operating costs, while stepping up its risk management efforts. The Group will consider profitability and collections when evaluating new projects.

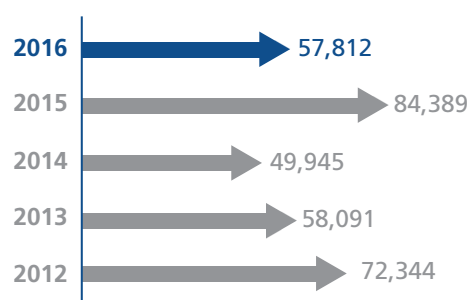
The Group intends to expand its steel trading business cautiously. Consequently, the operating results in that segment is not expected to contribute significantly in the short term. Following the acquisition of 49% equity in PT MII by the former management in 2015, the actual results of PT MII has fallen significantly short of business projections and this has prompted the Group to ascertain and take on the necessary impairment losses relating to the vessels, goodwill and other intangible assets.

Nevertheless, the Group will continue to seek out new business opportunities, particularly in the areas of deriving recurring income in the form of dividends, management fees and rental income, through acquisition of immovable assets and other operating businesses in Indonesia, Malaysia and Myanmar. In addition, the Group is evaluating M&A opportunities that diversify the Group's income stream and complement its growth as a whole.

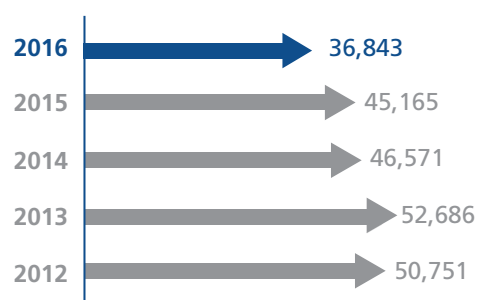
FINANCIAL HIGHLIGHTS

	2016 S\$'000	2015 S\$'000	2014 S\$'000	2013 S\$'000	2012 S\$'000
Financial Position Highlights					
Total Assets	57,812	84,389	49,945	58,091	72,344
Total Liabilities	(24,281)	(27,095)	(2,881)	(4,974)	(21,350)
Net Assets	33,531	57,294	47,064	53,117	50,994
Equity Attributable to Equity Holders of the Company	36,843	45,165	46,571	52,686	50,751
Non-controlling interests	(3,312)	12,129	493	431	243
Total Equity	33,531	57,294	47,064	53,117	50,994
Financial Performance Highlights					
Revenue	21,087	7,994	9,675	13,748	34,670
Cost of Sales	(17,826)	(7,256)	(7,553)	(6,489)	(25,297)
Gross Profit	3,261	738	2,122	7,259	9,373
(Loss)/Profit after tax from Continuing Operations	(27,864)	(1,459)	(4,057)	543	5,216

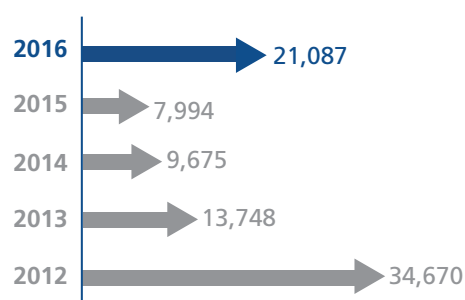
**Total Assets
(S\$'000)**



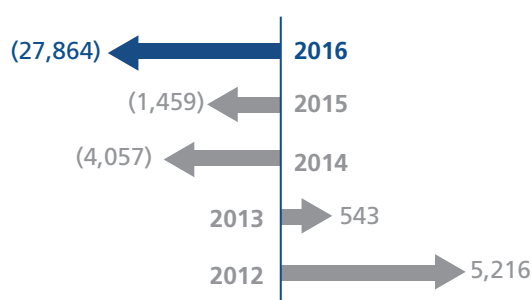
Equity Attributable to Equity Holders of the Company (S\$'000)



**Revenue
(S\$'000)**



(Loss)/Profit After Tax from Continuing Operations (S\$'000)



BOARD OF DIRECTORS

Mr Sucipto

Non-Executive Chairman

Mr Sucipto was appointed on 17 March 2016 as a Non-Executive Director of the Company and was on 13 May 2016 re-designated as the Non-Executive Chairman of the Board.

Mr Sucipto is the President Director of PT Golden Great Borneo, a coal mining company in Indonesia. Prior to that, he was the Sales Head of PT LG Elektronik Indonesia (Riau Branch) from 2005 to 2008 and a Sales Engineer of PT Tirtajaya Prime Karsa from 2003 to 2005.

Mr Sucipto holds a Bachelor's degree in Electrical Engineering from Tarumanagara University and has attended the course on Listed Company Director Essentials organised by the Singapore Institute of Directors ("SID").

Mr Stephen Leong, BBM

Vice Chairman and Executive Director

Mr Stephen Leong was appointed on 21 November 2016 as the Vice-Chairman and an Executive Director of the Company.

Mr Leong is responsible for strategic planning, corporate management, operations and business development of the Group. Prior to that, Mr Leong served as the Director of Singapore Assurance Public Accounting Corporation from 2006 to 2015, Group Managing Director of Stephen McLaren Consultants Pte Ltd from 1985 to 2013 and Chairman of Vistra (SEA) Pte Ltd from 2013 to 2016.

Mr Leong holds a Bachelor degree in Commerce from Lakehead University, and is a fellow of the International Tax Planning Association, UK 2005, the Association of International Accountants, UK 2006, Institute of Public Accountants, Melbourne 2006, Chartered Tax Advisor Australia, 1998, and an Accredited Tax Advisor (Income Tax/Goods and Services Tax), Singapore 2010. Mr Leong is also a member of the Singapore Institute of Directors (MSID) since 1999.

Mr Leong was conferred the Pingat Bakti Masyarakat (Public Service Medal) ("PBM") by the former President of the Republic of Singapore, His Excellency (HE) SR Nathan in 2007 and the Bintang

Bakti Masyarakat (Public Service Star) ("BBM") by the President of the Republic of Singapore, HE Dr Tony Tan in 2013.

Mr Tan Chee Tong

Executive Director

Mr Tan Chee Tong was employed on 9 June 2016 as an Executive Officer of the Company and on 19 September 2016 appointed as an Executive Director of the Company.

Mr Tan is also a Non-Executive Director of Malindo Resources Pte Ltd. Prior to that, he was an Assistant Director in Malindo Exim Sdn Bhd from 2014 to 2015 and an Events Ambassador in IntoE Projects Pte Ltd from 2012 to 2014.

Mr Tan holds a Bachelor of Science degree with Honours in Business Studies from Loughborough University and a Diploma in Logistics Management from Ngee Ann Polytechnic.

Mr Tan is responsible for strategic planning and business development of the Group.

Ms Ng Yoke Chan

Non-Executive Director

Ms Ng Yoke Chan was appointed on 31 August 2016 as a Non-Executive Director of the Company. Ms Ng has experience in management, finance and business development in Southeast Asia. She is currently an Executive Director of Mega Asia Exim Sdn Bhd and Malindo Exim Sdn Bhd. She holds a directorship in Hite Jinro Marketing Sdn Bhd. She was also formerly a Director of Southeast Global (HongKong) Ltd.

Ms Ng holds a Sijil Tinggi Persekolahan Malaysia (STPM) certificate and has attended the course on Listed Company Director Essentials organised by the SID.

Mr William Teo Choon Kow, BBM

Independent Director and Chairman of Audit Committee

Mr William Teo Choon Kow was appointed on 26 August 2011 as a Non-Executive Independent Director of the Company. He is the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees.

Mr Teo is a consultant providing corporate advisory services and currently serves as an Independent Director of Loyz Energy Limited and Wee Hur Holdings Ltd. Prior to that, he was the vice-president of Walden International Investment Group from 1997 to 2004 where he was responsible for the Group's investment function. From 1989 to 1997, Mr Teo was a senior manager with Coopers & Lybrand Management Consultants Pte Ltd, involved in corporate finance work.

Mr Teo holds a Masters in Management from Asian Institute of Management, Philippines. He is also a fellow of the Association of Chartered Certified Accountants ("FCCA") and a member of the Institute of Singapore Chartered Accountants ("ISCA").

Mr Teo was conferred the BBM by the President of the Republic of Singapore, HE Dr Tony Tan in 2012.

Mr Wee Liang Hiam

Independent Director and Chairman of Nominating Committee

Mr Wee Liang Hiam was appointed on 19 May 2016 as a Non-Executive Independent Director of the Company. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr Wee has more than 20 years' experience in operational finance roles having overseen financial matters and served as the Chief Financial Officer of various public listed companies in Singapore.

Mr Wee holds a Master of Business Administration (MBA) from Nanyang Technological University, a Bachelor of Business Administration Honours degree from National University of Singapore, a Diploma in Education (Dip. Ed.) from National University of Singapore, a Post-graduate Diploma in Personnel Management (GDPM) from Singapore Institute of Management and an Advance Certificate in Training and Assessment (ACTA) from Singapore's Workforce Development Agency. Mr Wee is also a fellow member of the Institute of Singapore Chartered Accountants (FCA), a member of the Singapore Institute of Management (MSIM), and a member of SID.

Mr Eric Chew Yee Teck, PBM

Independent Director and Chairman of Remuneration Committee

Mr Eric Chew was appointed on 27 May 2016 as a Non-Executive Independent Director of the Company. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Mr Chew is currently a Director of ECYT Law LLC. Prior to that, he was a Director of Archilex Law Corporation from 2002 to 2009 and from 2014 to 2015, a Director of JLim Law Corporation from 2010 to 2013, a Director of Asia Ascent Law Corporation in 2010 and a Director of Archilex Consultants Pte Ltd from 2003 to 2009. Mr Chew was conferred the PBM by the President of the Republic of Singapore, HE Dr Tony Tan in 2014.

Mr Chew is an Advocate and Solicitor of the Supreme Court of Singapore, a Barrister-at-Law, England and Wales, a member of the Law Society of Singapore, a member of the Singapore Academy of Law, a fellow of the Chartered Institute of Arbitrators, a fellow of the Singapore Institute of Arbitrators, a fellow of the Malaysian Institute of Arbitrators, a fellow of the Insolvency Practitioners Association of Singapore, and a Council member of the South East Community Development Council. Mr Chew holds a Bachelor of Laws from the University of Sheffield, a Master of Laws (Maritime Law) and Graduate Certificate in International Arbitration from the National University of Singapore, and a SMU-SID Diploma in Directorship.

Key Management

Tan Cheang Shiong

Chief Financial Officer (CFO)

Mr Tan Cheang Shiong was appointed in December 2016 as the CFO. He has more than 15 years of experience in financial management. Mr Tan is responsible for leading the overall financial strategy of the Group. Prior to that, Mr Tan was the CFO at Geo Energy Resources Limited from 2011 to 2016. Mr Tan is a FCCA and ISCA.

CORPORATE SOCIAL RESPONSIBILITY

As part of the Group's Corporate Social Responsibility (CSR) efforts, donations were made – in cash and in kind, over the years to various organisations to help the disadvantaged, underprivileged and less fortunate in the communities where the Group has a presence.

This year, the Group continued its efforts to support and play a part in helping the disadvantaged. Various donations were made to organisations such as the Singapore Garden City Fund and Lifeblood Centre (i.e. registered charities and Institutions of a Public Character in Singapore). Through generous donations, the Group hopes to see these organisations continue their good work and make a positive societal impact.

Apart from the donations, the Group also participated in the Grocery Bag Distribution at Sengkang West, which is organised by the Sengkang West Grassroots Organisation. This is an initiative to provide daily necessities to the elderly residents of Block 350 Sengkang West. The Group hopes that this voluntary event can create an outreach platform to promote awareness of care and love for the community in employees.

In addition, the Group's subsidiary, PT Momentum Indonesia Investama, was also involved in various charitable activities in Indonesia by making donations to fund the building of a Statue of the Virgin Mary with a pond and an altar at the Sanctuary of Mother Mary in Batam, distribution of grocery and daily necessities goods to the orphanage in Banjarmasin, and by distributing and providing medicine and health care services to the patients under the supervisory of the medical practitioners in the Free Healthcare Centre in Jakarta.



CORPORATE INFORMATION

Board of Directors

Mr Sucipto	(Non-Executive Chairman) (Appointed on 17 March 2016 and re-designated on 13 May 2016)
Mr Stephen Leong, BBM	(Vice-Chairman & Executive Director) (Appointed on 21 November 2016)
Ms Ng Yoke Chan	(Non-Executive Director) (Appointed on 31 August 2016)
Mr Tan Chee Tong	(Executive Director) (Appointed on 19 September 2016)
Mr William Teo Choon Kow, BBM	(Independent Director)
Mr Wee Liang Hiam	(Independent Director) (Appointed on 19 May 2016)
Mr Eric Chew Yee Teck, PBM	(Independent Director) (Appointed on 27 May 2016)

Audit Committee

Mr William Teo Choon Kow, BBM	(Chairman)
Mr Wee Liang Hiam	(Appointed on 19 May 2016)
Mr Eric Chew Yee Teck, PBM	(Appointed on 27 May 2016)

Remuneration Committee

Mr Eric Chew Yee Teck, PBM	(Chairman) (Appointed on 27 May 2016)
Mr Wee Liang Hiam	(Appointed on 19 May 2016)
Mr William Teo Choon Kow, BBM	

Nominating Committee

Mr Wee Liang Hiam	(Chairman) (Appointed on 19 May 2016)
Mr Eric Chew Yee Teck, PBM	(Appointed on 27 May 2016)
Mr William Teo Choon Kow, BBM	

Registered Office

37 Jalan Pemimpin
#07-16 Mapex
Singapore 577177
Tel: 6363 7622
Fax: 6363 7522
Co. Reg. No. 199707022K

Auditors

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
8 Cross Street #17-00
PWC Building
Singapore 048424

Audit Partner:
Mr Lee Chian Yorn (Appointed on 18 November 2015)

Company Secretary

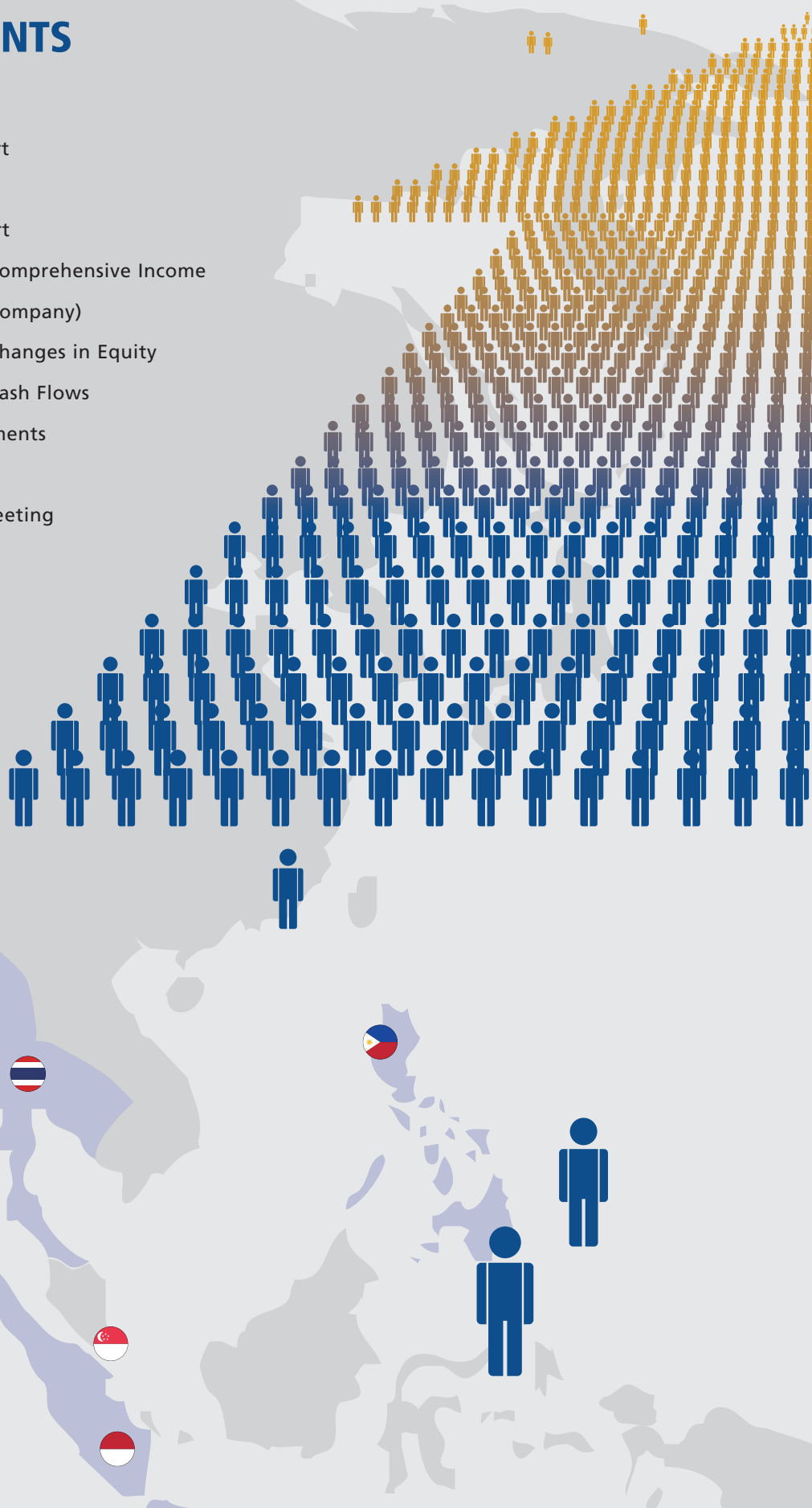
Ms Gwendolyn Gn Jong Yuh (Appointed on 15 September 2016)

Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of PSL Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is committed to observing and maintaining good corporate governance in complying with the Code of Corporate Governance 2012 (the “Code”) which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited’s (“SGX-ST”) listing rules. The Group also refers to the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in January 2015 (the “Guide”) and has incorporated answers to the questions set out in the Guide in this report.

This report outlines the corporate governance processes and procedures adopted by the Group.

BOARD MATTERS

Principle 1: Board’s Conduct of its Affairs

The Board provides effective leadership and direction to the Group by setting strategic direction and corporate policies and procedures. Each Director brings his abundant skills, expertise, experience and sound judgment to the Board, and individually and collectively, considers and acts in the best interest of the Group and its shareholders at all times.

As at the date of this report, the Board comprises the following members:

Sucipto ⁽¹⁾	Non-Executive Chairman
Stephen Leong, BBM ⁽²⁾	Vice Chairman and Executive Director
Tan Chee Tong ⁽³⁾	Executive Director
Ng Yoke Chan ⁽⁴⁾	Non-Executive Director
William Teo Choon Kow, BBM	Independent Non-Executive Director
Wee Liang Hiam ⁽⁵⁾	Independent Non-Executive Director (retiring and will not stand for re-election in the upcoming AGM)
Eric Chew Yee Teck, PBM ⁽⁶⁾	Independent Non-Executive Director

Notes:

- (1) Mr Sucipto was appointed as Non-Executive Director of the Company on 17 March 2016 and re-designated as the Non-Executive Chairman of the Company on 13 May 2016.
- (2) Mr Stephen Leong, BBM was appointed as the Vice Chairman and Executive Director of the Company on 21 November 2016.
- (3) Mr Tan Chee Tong was appointed as an Executive Director of the Company on 19 September 2016.
- (4) Ms Ng Yoke Chan was appointed as a Non-Executive Director of the Company on 31 August 2016.
- (5) Mr Wee Liang Hiam was appointed as an Independent Non-Executive Director of the Company on 19 May 2016.
- (6) Mr Eric Chew Yee Teck, PBM was appointed as an Independent Non-Executive Director of the Company on 27 May 2016.

In addition to its statutory and fiduciary duties and responsibilities, the Board’s roles include, *amongst other things*, the following:

- (i) setting the policies, strategies and financial objectives of the Group;
- (ii) establishing and overseeing the processes for evaluating the adequacy of internal controls, risk management systems, financial reporting systems and compliance;
- (iii) approving the Group’s annual business plan including the annual budget, capital expenditure and operational plans;

CORPORATE GOVERNANCE REPORT

- (iv) approving nominations to the Board as recommended by the Nominating Committee;
- (v) assuming responsibility for corporate governance;
- (vi) monitoring the performance of the Management;
- (vii) ensuring accurate, adequate and timely reporting to shareholders;
- (viii) reviewing and approving Interested Person Transactions in accordance with guidelines; and
- (ix) considering the sustainability issues, e.g. environmental and social factors.

The Board's approval is required on matters such as entering into new business ventures, major acquisitions and disposals, corporate or financial restructuring, shares issuance and dividend recommendations.

The Board has established the PSL Enterprise Risk Management Framework and a set of guidelines setting forth matters which require Board's approval. Matters which are specifically reserved to the Board for approval include, but not limited to, the following:

- (a) any proposed material acquisition and disposal of assets;
- (b) any transaction exceeding S\$2 million or capital expenditure commitment exceeding S\$1 million which are not in the ordinary course of the business; and
- (c) banking facilities and operating mandates.

The profile of each Director is presented in the section headed "Board of Directors" of this Annual Report.

The Board has delegated certain functions to three committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to assist in the execution of its responsibilities. Each Committee has its own written Terms of Reference, which clearly sets out the objectives, duties, powers, responsibilities as well as qualifications for the committee membership. The actions taken by the Board Committees are reported to and monitored by the Board.

The Board meets periodically and as when necessary with Management to get updates on new developments and financial performance of the Group to address any specific significant matters that may arise. Ad-hoc meetings are also convened to deliberate on urgent substantive matters.

Conference telephone attendance, audio visual or other means of similar communications equipment at Board and Board Committee meetings are provided under Regulation 97 of the Company's existing Constitution.

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The number of Board meetings and Board Committee meetings held during the financial year ended 31 December 2016 ("FY2016") and the attendance of each Director where relevant is as follows:

	Board ^a		Board Committees					
			Audit ^b		Nominating ^c		Remuneration ^d	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
Board Members								
Mark Zhou You Chuan ⁽¹⁾	3	3	2	2 [#]	3	3 [#]	1	1 [#]
Wee Piew ⁽²⁾	2	2	1	1 [#]	–	–	–	–
Jamshid K Medora ⁽³⁾	2	1	1	1	2	2	–	–
Chan Yu Meng ⁽⁴⁾	3	3	2	2	3	3	1	1
Suriamartara Tjahaja ⁽⁵⁾	4	3	3	3 [~]	1	1	1	1
William Teo Choon Kow, BBM	6	6	4	4	3	3	1	1
Sucipto ⁽⁶⁾	5	3	3	2 [#]	2	1 [#]	1	1 [#]
Wee Liang Hiam ⁽⁷⁾	3	3	2	2	–	–	–	–
Eric Chew Yee Teck, PBM ⁽⁸⁾	3	3	2	2	–	–	–	–
Tan Chee Tong ⁽⁹⁾	2	2	1	1 [#]	–	–	–	–
Ng Yoke Chan ⁽¹⁰⁾	2	1	1	1 [#]	–	–	–	–
Stephen Leong, BBM ⁽¹¹⁾	–	–	–	–	–	–	–	–

Notes:

- (1) Mr Mark Zhou You Chuan was appointed as a Non-Executive Director of the Company on 5 December 2014. He was re-designated as an Executive Director of the Company on 13 January 2015 and subsequently as the Chief Executive Officer ("CEO") of the Company on 1 December 2015. His effective date of cessation as an Executive Director of the Company was 19 May 2016 and his effective date of cessation as the CEO of the Company was 12 August 2016.
 - (2) Mr Wee Piew was appointed as the CEO and Executive Director of the Company on 23 August 2016. His effective date of cessation as the CEO and Executive Director of the Company was 31 December 2016.
 - (3) Mr Jamshid K Medora was appointed as an Independent Non-Executive Director of the Company on 26 February 2003. His effective date of cessation as an Independent Non-Executive Director of the Company was 28 April 2016.
 - (4) Mr Chan Yu Meng was appointed as an Independent Non-Executive Director of the Company on 13 January 2015. His effective date of cessation as an Independent Non-Executive Director of the Company was 19 May 2016.
 - (5) Mr Suriamartara Tjahaja was appointed as an Independent Non-Executive Director of the Company on 6 May 2016. He was re-designated as an Executive Director of the Company on 21 June 2016. His effective date of cessation as an Executive Director of the Company was 31 January 2017.
 - (6) Mr Sucipto was appointed as a Non-Executive Director of the Company on 17 March 2016 and re-designated as the Non-Executive Chairman of the Company on 13 May 2016.
 - (7) Mr Wee Liang Hiam was appointed as an Independent Non-Executive Director of the Company on 19 May 2016.
 - (8) Mr Eric Chew Yee Teck, PBM was appointed as an Independent Non-Executive Director of the Company on 27 May 2016.
 - (9) Mr Tan Chee Tong was appointed as an Executive Director of the Company on 19 September 2016.
 - (10) Ms Ng Yoke Chan was appointed as a Non-Executive Director of the Company on 31 August 2016.
 - (11) Mr Stephen Leong, BBM was appointed as the Vice Chairman and Executive Director of the Company on 21 November 2016.
 - a. There were 6 Board Meetings held within the year ended 31 December 2016 on the dates 26 February 2016, 28 April 2016, 13 May 2016, 12 August 2016, 4 November 2016 and 10 November 2016.
 - b. There were 4 Audit Committee Meetings held within the year ended 31 December 2016 on the dates 26 February 2016, 13 May 2016, 12 August 2016 and 10 November 2016.
 - c. There were 3 Nominating Committee Meetings held within the year ended 31 December 2016 on the dates 26 February 2016, 25 April 2016 and 13 May 2016.
 - d. There was 1 Remuneration Committee Meeting held within the year ended 31 December 2016 on the date 13 May 2016.
- * Under this column, the number of meetings held as indicated will take into account the period of the directorship of the respective Directors, so as to exclude the meetings held on the dates within the year ended 31 December 2016 whereby the respective Directors have yet to be appointed, or have ceased to be a Director of the Company.
- # By invitation only
- ~ Mr Suriamartara Tjahaja attended the 12 August 2016 and 10 November 2016 Audit Committee Meetings by invitation only.

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Upon appointment, each Director will receive appropriate briefings to familiarise them with the Group's businesses, financial performance, corporate strategic direction, action plans, policies and governance practices. In addition, the Company will provide a formal appointment letter detailing the duties and obligations of the newly appointed Directors. To enable the Directors to remain updated with the law and corporate governance practices, the Company provides a training budget to the Directors for funding of their participation at industry conferences and seminars, and attendance at any training courses where required. The Directors are also encouraged to be members of the Singapore Institute of Directors ("SID") so that they can receive journal updates and training from SID in order to stay abreast with relevant developments in financial, legal and regulatory requirements, and the business environment and outlook.

On a quarterly basis, the Directors are briefed on recent changes to the accounting standards and regulatory updates, if any. In addition, the Directors were also briefed and updated on any changes to the Companies Act (Chapter 50) of Singapore and Listing Manual.

Briefings, updates and trainings for the Directors in FY2016 included:

- Seminars conducted by the Singapore Institute of Directors were attended by Mr Tan Chee Tong and Ms Ng Yoke Chan of the Company's Directors;
- The external auditors ("EA") had briefed the AC on changes or amendments to accounting standards;
- The Company Secretary had briefed the Board on the amendments of the Companies Act, Chapter 50 of Singapore.

Principle 2: Board Composition and Guidance

As at the date of this report, the Board comprises seven Directors, two of whom are Executive Directors and the remaining five are Non-Executive Directors, of which three are Independent.

Guideline 2.2(d) of the Code recommends that half the Board should be made up of Independent Directors as the Chairman of the Board, Mr Suctipto, is not an Independent Director. As at the date of this report, while the Independent Directors do not make up half of the Board, the Independent Directors make up more than one-third of the Board, and there is a strong and independent element on the Board. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions of the Board are based on collective decision without any individual or small group of individuals influencing or dominating the decision making process. There is an adequate balance of power as well as safeguards in place against an uneven concentration of authority in a single or few individuals.

In FY2016, the Board has undergone changes which included the cessation of Mr Mark Zhou You Chuan as an Executive Director of the Company on 19 May 2016 and as the CEO of the Company on 12 August 2016, as well as the appointment of Mr Wee Piew as the CEO and an Executive Director of the Company on 23 August 2016 and his subsequent cessation as the CEO and an Executive Director of the Company on 31 December 2016. Mr Suriamartara Tjahaja had also ceased to be an Executive Director of the Company with effect from 31 January 2017. In light of the aforementioned changes to the Board, the Company has been and will continue to be engaged in its efforts to rebuild its Board. Thus far, Mr Tan Chee Tong (on 19 September 2016) and Mr Stephen Leong, BBM (on 21 November 2016) have been appointed to the Board as an Executive Director of the Company and the Vice Chairman and an Executive Director of the Company respectively.

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Following the retirement of Mr Wee Liang Hiam, who upon his retirement at the forthcoming AGM, will not be seeking re-election, the Board will comprise of six Directors, two of whom are Executive Directors and the remaining four are Non-Executive Directors, of which two are Independent. The Board is keenly aware of the recommendations under the Code in relation to the composition of independent directors under Guideline 2.1 and Guideline 2.2, and is actively seeking to make the required appointments for additional Independent Director(s) as and when the Company is able to identify suitable candidates for the role. In particular, the Board and Management have commenced the search process as well as conducted interviews with potential candidates and expects to appoint one new Independent Director by the end of June 2017. Additionally, the Company expects to make further new appointments and/or changes to the Board in order to bring the Company in compliance with the guidelines in the Code in relation to Board and Board Committee composition as soon as possible.

The Board considers that the current composition and size of the Board is appropriate for the current scope and nature of the Group's operations and provides sufficient diversity without interfering with efficient decision-making.

Each Director is a professional in their respective field, namely in corporate, legal, corporate finance and accounting. Together they bring with them a wide range of expertise and relevant experiences and an appropriate balance and diversity of gender to the Group. The independent element on the Board ensures that it is able to exercise objective, impartial and independent judgment on corporate affairs. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively. The Directors' academic and professional qualifications are presented in the section headed "Board of Directors" of this Annual Report. In identifying director nominees for any new appointments to the Board, the NC and the Board will take into consideration the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. Further details on the process for the selection and appointment of new Board members is included on page 19 of this Annual Report.

The Non-Executive Directors provide constructive review and assist the Board to facilitate and develop proposals on strategy and monitor the performance of Management in meeting agreed goals and objectives. They have full access to and co-operation from Management and officers and have the full discretion to have separate meetings without the presence of Management and to invite any Directors or officers to the meetings as and when warranted. In FY2016, the Non-Executive Directors have had 2 separate meetings without the presence of Management.

The NC is tasked to determine on an annual basis and when circumstances require, the independence of a Director, bearing in mind the guidelines set out in the Code and any other salient factor. Each Independent Director is required to declare his independence based on the guidelines set forth in Guideline 2.3 of the Code. The NC will review and deliberate the independence of each Director before giving its recommendation to the Board for deliberation. The Board, with the recommendation and concurrence of the NC, has reviewed and determined that the Independent Directors of the Board, namely, Mr William Teo Choon Kow, BBM, Mr Wee Liang Hiam and Mr Eric Chew Yee Teck, PBM are independent.

There is no Independent Director who has served on the Board for more than nine years.

The Board also reviews its composition on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The NC considers the Board's present size adequate for effective decision-making, taking into account the nature and scope of the Group's operations.

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Principle 3: Chairman and Chief Executive Officer

Mr Wee Piew, the previous CEO of the Company, ceased to be the CEO of the Company on 31 December 2016. Upon his resignation, the Executive Directors on the Board, Mr Stephen Leong, BBM and Mr Tan Chee Tong bear the responsibility of strategic planning, corporate management, operations and business development, operation management, finance and accounting functions and management of corporate affairs of the Group.

Mr Sucipto, the Non-Executive Chairman of the Company, performs the following responsibilities:

- Lead the Board to ensure its effectiveness on all aspects of its role;
- Set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- Promote a culture of openness and debate at the Board;
- Ensure the Directors receives complete accurate, timely and clear information;
- Ensure effective communication with shareholders;
- Encourage constructive relations within the Board and between the Board and the Management;
- Facilitate the effective contribution of non-executive directors in particular; and
- Promote high standards of corporate governance by ensuring the Company's compliance with the Code and other applicable rules and regulations.

Guideline 3.3(d) of the Code recommends that a lead independent director should be appointed as Mr Sucipto, the Chairman of the Board, is not an Independent Director. The Board and Management is in the process of searching for and interviewing potential candidates to be appointed as Independent Director(s) of the Company, and will work towards the appointment of a lead independent director as soon as possible. In the year ended 31 December 2016 and in the interim before a lead independent director is appointed, the Independent Directors have committed to and will continue to commit to being individually and collectively available to shareholders as a channel of communication between shareholders and the Board or Management.

Principle 4: Board Membership

The NC comprises the following three members, all of whom are Independent Non-Executive Directors:

- Mr Wee Liang Hiam (Chairman)
- Mr William Teo Choon Kow, BBM
- Mr Eric Chew Yee Teck, PBM

The NC, regulated by written Terms of Reference which sets out its authority and duties, is responsible for making recommendations to the Board on all appointments and will use its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made.

Mr Wee Liang Hiam who will be retiring at the forthcoming AGM, has indicated that he will not be standing for re-election. The Company is keenly aware of the recommendations under the Code in relation to the composition of the NC under Guideline 4.1. The Board and Management have commenced the search process as well as conducted interviews with potential candidates which may be appointed to the Board and NC. In particular, the Board expects to appoint one new Independent Director to the Board by the end of June 2017, who will also be appointed to the NC.

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The key terms of reference of the NC include the following:

- (a) Reviewing and recommending the appointment of Directors;
- (b) Nominating Directors who retire in accordance with the Company's Constitution at each annual general meeting ("AGM") for re-election taking into consideration such Directors' contribution and performance at board meetings, including their attendance, level of preparedness, degree of participation and candour;
- (c) Reviewing the training programs for the Directors;
- (d) Formal assessment of the effectiveness of the Board as a whole and individual Directors;
- (e) Developing a process for evaluating the performance of the Board, its Board Committees and contributions of each Director; and
- (f) Reviewing the Board succession plans for directors, in particular, the Chairman and for the CEO.

The process for the selection and appointment of new Board member is as follows:

- The NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation and in consultation with the Board, the NC prepares a description of the roles and key attributes for the new appointment;
- The NC meets with the short-listed candidate(s) to assess their suitability and to ensure that the candidates are aware of the expectations; and
- The NC recommends the most suitable candidate to the Board for the appointment as Director.

The Company's Constitution requires that a newly appointed Director will submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to be re-elected at least once every three years and the one-third rotation rule. A retiring Director is eligible and may be nominated for re-election. In accordance with Regulation 88 of the Company's Constitution, Mr Wee Liang Hiam, Mr Eric Chew Yee Teck, PBM, Ms Ng Yoke Chan, Mr Tan Chee Tong and Mr Stephen Leong, BBM will be retiring at the forthcoming AGM. Ms Ng Yoke Chan, Mr Tan Chee Tong, Mr Stephen Leong, BBM and Mr Eric Chew Yee Teck, PBM have consented to offer themselves for re-election at the forthcoming AGM. Mr Wee Liang Hiam has indicated that he will not be standing for re-election in the forthcoming AGM.

In addition, the retirement of Directors is governed by Regulation 89 of the Company's Constitution, which requires one-third of the directors for the time being to retire by rotation at each AGM and if eligible, offer themselves for re-election. In accordance with Regulation 89 of the Company's Constitution, Mr Sucipto will be retiring at the forthcoming AGM. Mr Sucipto has consented to offer himself for re-election at the forthcoming AGM.

During the year, the NC evaluated the Board's performance as a whole and contributions made by each Director and the effectiveness of the Board. A formal process has been adopted by the NC to assess the effectiveness of the Board annually.

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As at the date of this report, there was no Independent Director being appointed as a Director of the Company's principal subsidiaries. The Board will assess from time to time the need for renewal of the Board structures of the principal subsidiaries and the appointment of any Independent Director into the principal subsidiaries.

The Company does not have a practice of appointing an Alternate Director.

The date of each Director's initial appointment, last re-election and their directorships are set out below:

Name of Director	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past directorships in Listed companies*
Sucipto ⁽¹⁾	17 March 2016	28 April 2016	–	–
Stephen Leong, BBM	21 November 2016	–	–	–
Tan Chee Tong	19 September 2016	–	–	–
Ng Yoke Chan	31 August 2016	–	–	–
William Teo Choon Kow, BBM	26 August 2011	28 April 2016	1. Loyz Energy Limited 2. Wee Hur Holdings Ltd	1. SHS Holdings Ltd (previously known as See Hup Seng Limited)
Wee Liang Hiam	19 May 2016	–	1. TMC Education Corporation Ltd	1. Hu An Cable Holdings Ltd 2. Sincap Group Limited
Eric Chew Yee Teck, PBM	27 May 2016	–	–	–

(1) Mr Sucipto is the brother of Mr Suman Hadi Negoro, a controlling shareholder of the Company.

* Within the past three years.

The NC has adopted the policy addressing competing time commitments that are faced when Directors serve on multiple boards. The policy provides that, as a general rule, each Director should not hold more than seven listed company board representations.

The NC will determine annually whether a Director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of each individual Director, and the respective Directors' actual conduct on the Board, in making this determination.

The NC is satisfied that each Director's directorship was in line with the Company's policy and that sufficient time and attention have been being given by each Director to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations.

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Principle 5: Board Performance

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations made by the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual Director to the effectiveness of the Board on an annual basis.

The Directors undertake an annual evaluation of the overall effectiveness of the Board. The performance criteria for the Board evaluation includes the size and composition of the Board, Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the Directors. The performance criteria for the Board evaluation has not changed from year to year.

Each Director also undertakes a self-assessment annually to evaluate their contribution to the Board. This self-assessment process takes into account, amongst other things, the board commitment, standard of conduct, competency, training & development and interaction with Directors, Management & stakeholders.

The results of the evaluation exercise will be considered by the NC, which will then make recommendations to the Board, aimed at assisting the Board to discharge its duties more effectively.

Each member of the NC shall abstain from voting on any resolutions and making any recommendation and/or participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-nomination as Director.

The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the performance of the Board as a whole, and the Chairman, has been satisfactory. No external facilitator was used in the evaluation process.

Principle 6: Access to Information

Management acknowledges the importance of complete, adequate and timely supply of information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow the Directors sufficient time to prepare beforehand for the meetings, the agendas, board papers and related materials, background or explanatory information relating to matters to be discussed are distributed to all Directors prior to each meeting to facilitate the effective discussion. Where necessary, information in the form of disclosure documents, budgets, forecasts and monthly internal financial statements are also provided to the Board. Any additional materials or information requested by the Directors is promptly furnished. The Board is informed of all material events and transactions as and when they occur.

All Directors have unrestricted access to the Company's records and information. The Directors liaise with Management as required and may consult with other employees to seek additional information on request. Should the Directors, either individually or as a group, in the furtherance of their duties, require independent professional advice, such advice shall be sought at the Company's expense.

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The Company Secretary is responsible for, among other things, attending and preparing minutes of all Board and Board Committees meetings, and ensuring Board procedures are observed and that the requirements of the Company's Constitution, Companies Act (Chapter 50) of Singapore, Listing Manual and other relevant rules and regulations are complied with, and ensuring good information flows within the Board and its committees and between senior management and Independent Directors, as well as facilitating orientation and assisting with professional development as required. The Company Secretary works with Management and Directors to ensure that the Company complies with the relevant rules and regulations. The Directors have separate and independent access to the Company Secretary.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Principle 7: Remuneration Matters

The RC comprises the following three members, all of whom are Independent Non-Executive Directors:

- Eric Chew Yee Teck, PBM (Chairman)
- William Teo Choon Kow, BBM
- Wee Liang Hiam

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and reviewing the remuneration packages of individual Directors, Key Management personnel and employees related to the Executive Directors and Controlling Shareholders of the Group.

Mr Wee Liang Hiam who will be retiring at the forthcoming AGM, has indicated that he will not be standing for re-election. The Company is keenly aware of the recommendations under the Code in relation to the composition of the RC under Guideline 7.1. The Board and Management have commenced the search process as well as conducted interviews with potential candidates which may be appointed to the Board and RC. In particular, the Board expects to appoint one new Independent Director to the Board by the end of June 2017, who will also be appointed to the RC.

The key terms of reference of the RC are as follows:

- (a) Recommend to the Board a framework of remuneration for the Directors and Management. The framework covers all aspect of remuneration, including but not limited to Directors' fees, salaries, allowance, bonuses and benefits in kind;
- (b) Review and recommend to the Board the specific remuneration packages for each Executive Director as well as for the key management positions; and
- (c) Review annually the remuneration of employees related to the Directors and Substantial Shareholders, if applicable, to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.

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The recommendations of the RC will be submitted to the Board for endorsement. Each RC member will abstain from voting on any resolution in respect of his own remuneration.

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. No remuneration consultants were engaged by the Company during FY2016.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and Key Management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with the aim to be fair and not rewarding poor performance.

Principle 8: Level and Mix of Remuneration

Annually, the RC reviews the remuneration of the CEO and Executive Directors and Management to ensure that their remuneration is commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group as well as market trends within the industry.

CEO and Executive Directors are remunerated as members of Management under their respective service contracts. Their remuneration package comprises a basic salary component and a variable component, the latter of which is in the form of bonus and a profit sharing scheme linked to the Group's performance as a whole and the performance for each individual. As for the Management, the Key Performance Indicator ("KPI") has been set for them to achieve which are linked to the performance to each business that is handled by them.

The Company does not have an employee share option scheme or any long-term incentive scheme in place.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from its Executive Directors and Key Management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. The Company's Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against its Executive Directors in the event of such breach of fiduciary duties.

The Directors' fees payable to the non-executive Directors are fixed in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as their responsibilities and obligations. The Directors' fees will be subject to the shareholders' approval at the AGM. Each member of the RC abstains from voting on any resolution, participating in any deliberations of the RC, and making any recommendation in respect of their remuneration.

Principle 9: Disclosure of Remuneration

The Company notes the need for corporate transparency in the remuneration of its Directors (to the nearest thousand) and key executives and has hence fully disclosed the remuneration of its Executive Directors and Key Management personnel (to the nearest thousand) in FY2016 below.

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At the previous annual general meeting of the Company held on 28 April 2016, the resolution to approve the payment of Directors' fees for FY2016 was not carried. The following table summarises the remuneration and fees proposed to be paid to the Directors for FY2016:

Director	Directors' Fee	Salary	Bonus	Other Benefits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<i>Below S\$250,000</i>					
Sucipto ⁽¹⁾	28	–	–	–	28
Stephen Leong, BBM ⁽²⁾	–	14	–	–	14
Wee Piew ⁽³⁾	–	79	–	9	88
Tan Chee Tong ⁽⁴⁾	–	26	10	–	36
Mark Zhou You Chuan ⁽⁵⁾	–	133	–	9	142
Jamshid K Medora ⁽⁶⁾	10	–	–	–	10
Chan Yu Meng ⁽⁷⁾	10	–	–	–	10
Suriamartara Tjahaja ⁽⁸⁾	5	95	–	13	113
William Teo Choon Kow, BBM	41	–	–	–	41
Wee Liang Hiam ⁽⁹⁾	25	–	–	–	25
Eric Chew Yee Teck, PBM ⁽¹⁰⁾	24	–	–	–	24
Ng Yoke Chan ⁽¹¹⁾	12	–	–	–	12

Notes:

- (1) Mr Sucipto was appointed as the Non-Executive Director of the Company on 17 March 2016 and re-designated as the Non-Executive Chairman of the Company on 13 May 2016.
- (2) Mr Stephen Leong, BBM was appointed as the Vice Chairman and Executive Director of the Company on 21 November 2016.
- (3) Mr Wee Piew was appointed as the CEO and Executive Director of the Company on 23 August 2016. His effective date of cessation as the CEO and Executive Director of the Company was 31 December 2016.
- (4) Mr Tan Chee Tong was appointed as an Executive Director of the Company on 19 September 2016.
- (5) Mr Mark Zhou You Chuan was appointed as a Non-Executive Director of the Company on 5 December 2014. He was re-designated as an Executive Director of the Company on 13 January 2015 and subsequently as the CEO of the Company on 1 December 2015. His effective date of cessation as an Executive Director of the Company was 19 May 2016 and his effective date of cessation as the CEO of the Company was 12 August 2016.
- (6) Mr Jamshid K Medora was appointed as an Independent Non-Executive Director of the Company on 26 February 2003. His effective date of cessation as an Independent Non-Executive Director of the Company was 28 April 2016.
- (7) Mr Chan Yu Meng was appointed as an Independent Non-Executive Director of the Company on 13 January 2015. His effective date of cessation as an Independent Non-Executive Director of the Company was 19 May 2016.
- (8) Mr Suriamartara Tjahaja was appointed as an Independent Non-Executive Director of the Company on 6 May 2016. He was re-designated as an Executive Director of the Company on 21 June 2016. His effective date of cessation as an Executive Director of the Company was 31 January 2017.
- (9) Mr Wee Liang Hiam was appointed as an Independent Non-Executive Director of the Company on 19 May 2016.
- (10) Mr Eric Chew Yee Teck, PBM was appointed as an Independent Non-Executive Director of the Company on 27 May 2016.
- (11) Ms Ng Yoke Chan was appointed as a Non-Executive Director of the Company on 31 August 2016.

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The annual aggregate remuneration paid to top five Key Management personnel of the Company (who are not Directors or the CEO) for FY2016 is S\$346,000.

Key Management Personnel	Salary	Bonus	Other Benefits	Total
<i>Below S\$250,000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Koh Yew Ghee	112	19	14	145
Natalie Koh Yen Yen ⁽¹⁾	66	–	8	74
Sudirman Kurniawan	60	–	–	60
Tan Kam Soon ⁽²⁾	52	4	1	57
Tan Cheang Shiong ⁽³⁾	10	–	–	10

Notes:

- (1) Ms Natalie Koh Yen Yen resigned as Group Financial Controller of the Company on 29 July 2016.
(2) Mr Tan Kam Soon was appointed as Financial Controller of the Company on 17 June 2016.
(3) Mr Tan Cheang Shiong was appointed as Chief Financial Officer ("CFO") of the Company effective from 15 December 2016.

There are no employees who are immediate family members of a Director or CEO and whose remuneration exceeds S\$50,000 during the year.

The Company adopts a remuneration policy for employees comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual. The amount of variable bonus is positively co-related to the performance of the Company. The remuneration packages of the CEO and Executive Directors and Key Management personnel (excluding the Company's Financial Controller and CFO), include a profit sharing component based on the performance of the Company and its subsidiaries. As the CEO and Executive Directors together with the Key Management determine the strategic direction of the Group and seek to enhance shareholder wealth, the inclusion of a profit sharing component will spur these individuals to maximise the potential of the Group and aligns their interest to that of the performance of the Group. The Directors and senior management have met their respective performance conditions for FY2016 relating to their remuneration packages.

There are no termination, retirement and/or post-employment benefits granted to Directors or Key Management personnel during FY2016.

Principle 10: Accountability

The Board recognises the importance of providing accurate and relevant information on a timely basis. As such, the Management provides the Board with management accounts and such explanation and information on a quarterly basis and as the Board may require from time to time to enable the Board to make a balance and understandable assessment of the Group's performance, position and prospects to its shareholders, public and regulators. Furthermore, the Management provides all the Executive Directors with detailed monthly consolidated financial reports. The Board is mindful of its obligations to furnish timely information and ensure full disclosures of material corporate developments to its shareholders to comply with the statutory requirements and Listing Manual.

CORPORATE GOVERNANCE REPORT

The Board reviews and approves the quarterly and full year financial results and other related material information before such information are disseminated to shareholders via announcements to SGXNET.

Principle 11: Risk Management and Internal Controls

Principle 13: Internal Audit

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of shareholders and the Group's assets. However, the Board recognises that no cost effective internal control system will preclude all errors and irregularities as a system is designed to manage rather than eliminate the risk of failure to achieve business objective and can provide only reasonable and not absolute assurance against the occurrence of material misstatements, errors, losses and/or any other situations not currently within the contemplation or beyond the control of the Board.

The Group employs the PSL Enterprise Risk Management Framework developed by RSM Ethos Pte Ltd, an independent professional firm, to perform risk assessment review on areas of significant business risks as well as the appropriate measures to control and mitigate these risks.

On an annual basis, the external auditors carry out, in the course of their statutory audit the review of the effectiveness of the Group's key internal controls including financial, operational, compliance, information technology controls as well as risk management systems to the extent of the scope of their audit plan. Any material weaknesses in internal controls together with recommendations will be reported to the AC.

Since 2014, the Company has, with approval from the AC, outsourced its internal audit functions to JF Virtus Pte Ltd, an independent professional firm. The role of the internal auditors is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting in depth audit of high risk areas and if necessary, undertaking special audit directed by the AC. Management has granted the Internal Auditors unrestricted access to the documents, records, properties and personnel of the Company and the Group.

The internal audit plan was submitted to the AC for review and approval prior to the commencement of the internal audit work. The internal auditors review the effectiveness of key internal controls in accordance with the internal audit plan. The internal auditors report directly to the Chairman of the AC and assist the AC in overseeing and monitoring the implementation and improvements required on internal control weaknesses identified. The internal audit is performed in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. To ensure the adequacy of the internal audit functions, the AC has reviewed the internal auditors' qualifications, experience, activities, resources and standing in the Company, and the AC is satisfied that the internal audit function of the Group is adequate and effective.

All the audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The AC will review the findings and recommendations by the auditors and ensure that the Management follows up on the recommendations made by the auditors, if any, during the audit process.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 1207(10) of the Listing Manual, based on the internal controls established and maintained by the Group and the work performed by the Group's external auditors, internal auditors and Management reviews, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group in its current business environment. The Board has received assurance from its previous CEOs, its Executive Directors and its CFO as well as its internal auditor that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, adequate and effective risk management and internal control systems have been put in place.

Principle 12: Audit Committee

The AC comprises the following three members, all of whom are Independent Non-Executive Directors:

- William Teo Choon Kow, BBM (Chairman)
- Wee Liang Hiam
- Eric Chew Yee Teck, PBM

The members of the AC possess many years of experience in accounting, legal, business and financial management. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

Mr Wee Liang Hiam who will be retiring at the forthcoming AGM, has indicated that he will not be standing for re-election. The Company is keenly aware of the requirements under S201B of the Companies Act (Chapter 50) of Singapore and the recommendations under the Code in relation to the composition of the AC under Guideline 12.1. The Board and Management have commenced the search process as well as conducted interviews with potential candidates which may be appointed to the Board and AC. In particular, the Board expects to appoint one new Independent Director to the Board by the end of June 2017, who will also be appointed to the AC.

The AC is regulated by its terms of reference which highlights its primarily responsibilities:

- (a) to assist the Board in discharging its responsibilities to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group;
- (b) to provide a channel of communication between the Board, the Management team, and the external auditors on matters relating to audit;
- (c) to monitor Management's commitment to the establishment and maintenance of a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit);
- (d) to monitor and review the scope and results of external audit and its cost effectiveness and the independence and objectivity of the external auditors;

CORPORATE GOVERNANCE REPORT

The main functions of the AC are as follows:

- (a) review the external auditors' audit plans, their evaluation of the system of internal controls, their management letter and Management's response thereto;
- (b) review the internal auditors' internal audit plans and their evaluation of the adequacy of the Group's internal control and accounting system before submission of the results of such review to the Board for approval;
- (c) review the half yearly and, where applicable, quarterly, and annual financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant and statutory or regulatory requirements;
- (d) review the internal control and procedures and ensure co-ordination between the external auditors and the Management, review the assistance given by the Management, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss (in the absence of the Management where necessary);
- (e) review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, and approving the remuneration and terms of engagement of the external auditors;
- (f) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (g) review the Groups' hedging policies, procedures and activities (if any) and monitor the implementation of the hedging procedure/policies, including reviewing the instruments, processes and practices in accordance with any hedging policies approved by the Board;
- (h) review potential conflicts of interest, if any, and to set out a framework to resolve or mitigate such potential conflicts of interests;
- (i) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (j) review and discuss with investigators, any suspected fraud, irregularity, or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response thereto;
- (k) review the findings of internal investigation into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have material impact on the Group's operating results and/or financial position;
- (l) review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;
- (m) review the effectiveness and adequacy of the administrative, operating, internal accounting and financial control procedures;
- (n) review key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET; and
- (o) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time.

CORPORATE GOVERNANCE REPORT

The AC has the explicit authority to investigate any matter within its scope of responsibilities, full access to and cooperation of the Management, external auditors and internal auditors. It also has full discretion to invite any Director or Executive Officer to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

During the year, the Group has continued to engage its external auditor PricewaterhouseCoopers LLP ("PwC LLP"), having taking into consideration to the adequacy of the resources and experience of PwC LLP and the audit engagement partner assigned to the audit, PwC LLP's other audit engagements, the size and complexity of the Group being audited, and the number of and experience of supervisory and professional staff assigned to the Group's audit. PwC LLP is registered with the Accounting and Corporate Regulatory Authority. There was no former partner or director of the Company's existing auditing firm or audit corporation acting as a member of the AC.

Accordingly, the Company complied with Rule 712 and Rule 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The external auditors have unrestricted access to the AC. Both the external auditors and internal auditors report directly to the AC in respect of their findings and recommendations. During FY2016, the AC met with the internal and the external auditors without the presence of the Management. The AC reviews the findings from the auditors and assistance given to the auditors by the Management.

During the financial year, the AC's activities include the following:

- (a) reviewed quarterly, and annual financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval;
- (b) reviewed the scope of work of the external auditors;
- (c) reviewed the scope of work of the internal auditors;
- (d) reviewed the audit plans and discussed the results of the findings and evaluation of the Company's system of internal controls;
- (e) reviewed interested party transactions of the Company;
- (f) met with the Company's internal and external auditors without the presence of Management;
- (g) reviewed the independence of internal auditors;
- (h) reviewed the independence of external auditors;
- (i) reviewed the Company's procedures for detecting fraud and whistle-blowing matters.

The AC also takes measures such as attending seminars to keep abreast of the changes to accounting standards and issues which have a direct impact on the financial statements.

During the year under review, the aggregate amount of fees paid or payable to the external auditors, PwC LLP for the audit services are approximately S\$150,000. No non-audit services were provided by PwC LLP for FY2016. The AC reviews annually the independence of the external auditor. The AC recommends to the Board the re-appointment of PwC LLP as the external auditors of the Company at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

The Company has adopted a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees may raise concerns in the event that they may encounter any improper conduct within the Group. The Company's whistle blowing policy is detailed in its Employee Handbook and is accessible to all employees. Various avenues are provided for the employees to raise concerns. For example, in the situation whereby an employee is unable to report to his/her immediate supervisor due to any issue involving his or her immediate supervisor, or for any reason the employee would prefer the immediate supervisor not be to informed, the employee may report it to an Executive Director of the Company. Where none of these channels are suitable, the whistle-blower can address his or her concerns to any of the members of the AC. The contact details of the members of the AC are set out in the Employee Handbook. There were no whistle blowing reports received by the AC in FY2016.

Key Audit Matter	How the AC reviewed these matters and what decisions were made
1. Assessment of ability to exercise control over PT Momentum Indonesia Investama ("PT MII")	The AC considered the legal right to appoint the majority of the board of directors of PT MII, thereby allowing PSL to control the operational and financial matters of PT MII. The AC also considered the legal actions against the minority shareholder with the legal advice from the Singapore and Indonesia lawyers to determine PSL's rights under the various agreements and the periodic meetings between the management and board of directors. The AC also considered and reviewed the appropriateness of the appointment of PSL representatives to the Board of PT MII after the court ruling was obtained. The assessment of ability to exercise control over PT MII was an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report. Please refer to pages 42 to 43 of this Annual Report for more details.
2. Impairment of the fixed assets, goodwill and intangible assets of PT MII	The AC considered the competency, capability and objectivity of the professional firm engaged for carrying out the market value assessment of the vessels of PT MII. The AC also considered and reviewed the reasonableness of the valuation methodology, key assumptions and estimates used to derive the market value of the vessels. The impairment of the fixed assets, goodwill and intangible assets of PT MII was an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016. Please refer to page 44 of this Annual Report for more details.

CORPORATE GOVERNANCE REPORT

3. Assessment of fair value of profit guarantee from PT MII	The AC considered the competency, capability and objectivity of the professional firm engaged for carrying out the fair value assessment of the profit guarantee from PT MII. The AC also considered and reviewed the reasonableness of underlying basis to determine the fair value of the profit guarantee, historical earnings growth rate and discount rate. The assessment of fair value of profit guarantee from PT MII was an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016. Please refer to page 45 of this Annual Report for more details.
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Principle 14: Shareholder Rights**Principle 15: Communication with Shareholders****Principle 16: Conduct of Shareholder Meetings**

The Group recognises the importance of maintaining transparency and accountability to its shareholders. As such, the Group has in place an investor relations and communication framework that disseminates on a timely basis relevant financial data, price sensitive information and material developments to shareholders. Quarterly and full year financial results and all other material information are disseminated to the SGX-ST's website via SGXNET. During the course of FY2016, the Group's previous CEOs, Mr Mark Zhou You Chuan and Mr Wee Piew were available to respond to shareholders' enquiries, if any, during the course of their appointment as CEO of the Company. Whilst the Group is currently in the process of appointing a CEO, Mr Stephen Leong, BBM the Vice Chairman and Executive Director of the Company is available to respond to shareholders' enquiries, if any.

The Company encourages active shareholder participation at its general meetings. Notices of general meetings are published in the newspapers and reports or circulars are dispatched to all shareholders by post before the scheduled general meeting date. Shareholders are invited to attend the general meetings to put forth any questions that they may have on the motions to be debated and decided upon. The Board and Management, including the Chairmen of the respective Board Committees, together with the Company Secretary and independent auditor, would be present at the general meetings to address queries from the shareholders. The resolutions are as far as possible, structured separately and voted on independently.

The Company has newly engaged a third-party investor relationship consultant, with the objective of advising the Company on how to convey performance insights and share its strategic plans with investors and shareholders through various communication channels, such as additional press releases via SGXNET. With the help of its relationship consultant, moving forward, the Company intends to ramp up on its efforts to communicate with its investors and shareholders and to solicit and understand the views of Shareholders.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. A shareholder who is a relevant intermediary may appoint more than two proxies to speak, attend and vote at general meetings. The Company's Constitution contains the appropriate regulations to allow for absentia voting by mail, facsimile or email.

CORPORATE GOVERNANCE REPORT

The minutes of general meetings are prepared and made available to shareholders upon their request in accordance with applicable laws.

At the general meetings of the Company, shareholders are informed of the rules, including voting procedures before the Company puts all resolutions to vote by poll and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages are made on the same day. The Board maintains regular dialogue with shareholders (e.g. AGM, EGM) to gather views and inputs and address shareholder's concern.

The Company does not have a functional corporate website at the moment as the Company's corporate website, www.pslgroup.com.sg, is under maintenance. An investor relations website will be created together with the corporate website of the Company when the technical issues are resolved by the Company's third-party service provider. The Company expects its corporate website to be ready by mid-2017.

Presently, the Company does not have a dividend policy in place. The Board may consider adopting a dividend policy in the future. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For FY2016, the Company will not be paying dividends to shareholders due to the financial performance of the Group.

Interested Persons Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC to ensure that those transactions are carried out on normal commercial terms and are not prejudicial to the interests of the shareholders.

In order to achieve this objective, the Board and AC meet on a quarterly basis to review whether the Company or any member in the Group is entering or intends to enter into any potential interested persons transactions so as to ensure the Company complies with Chapter 9 of the Listing Manual on interested person transactions. In the absence of the AC, the CFO monitors and reviews any interested person transactions of the Company and reports on the same to the Board on a regular basis. There were no interested person transactions with a value of S\$100,000 and above entered into for FY2016. Hence, the information required pursuant to Listing Rules 907 and 1207(17) are as follows:

Name of interested person	Aggregate value of all interested person transactions during the FY2016 under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
None	Nil	Nil

CORPORATE GOVERNANCE REPORT

Internal Code of Dealing in Securities

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST on best practices in respect of dealing in securities, the Group has in place an internal code of conduct which prohibits the Directors, Key Management personnel of the Group and their connected persons from dealing in the Company's shares during the "black-out" period. The black-out period is two weeks and one month immediately preceding the announcement of the Company's quarterly and full year financial results respectively, or if they are in possession of unpublished price-sensitive information of the Group. In addition, Directors, Key Management personnel and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

Material Contracts

There is no material contract of the Company and its subsidiaries involving the interests of any CEO, Director or substantial shareholder for the FY2016.

Use of Proceeds

During the year, the Company had completed the allotment and issue of an aggregate of 7,734,000 new ordinary shares at S\$0.3825 for each subscription share in the capital of the Company ("Subscription Shares"). Following the completion of the allotment and issue of the Subscription Shares, the net proceeds of approximately S\$2.9 million have not been utilised.

Summary of Disclosures

The following is a summary of disclosures made in response to the express disclosure requirements in the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015:

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
Guideline 1.5	What are the types of material transactions which require approval from the Board?	✓	Page 14
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up to date?	✓	Page 16
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	✓	Page 16–17
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	✓	Page 17

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.		
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	✓	Page 17
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	✓	Page 17 and Page 19
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	✓	Page 20
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	✓	Page 19
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	✓	Page 21

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	✓	Page 21–22
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	✓	Page 24
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	✓	Page 25
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	✓	Page 25
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	✓	Page 23 and Page 25

CORPORATE GOVERNANCE REPORT

Guideline	Questions	Compliance	Page reference to responses in the Annual Report
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	✓	Page 27
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	✓	Page 29
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	✓	Page 31–32
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	✓	Page 32

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the members together with the audited financial statements of PSL Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 49 to 115 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

William Teo Choon Kow, BBM	
Sucipto	(Appointed on 17 March 2016)
Wee Liang Hiam	(Appointed on 19 May 2016)
Eric Chew Yee Teck, PBM	(Appointed on 27 May 2016)
Ng Yoke Chan	(Appointed on 31 August 2016)
Tan Chee Tong	(Appointed on 19 September 2016)
Stephen Leong, BBM	(Appointed on 21 November 2016)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement which object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016 or date of appointment, if later	At 31.12.2016	At 1.1.2016 or date of appointment, if later
The Company (Number of ordinary shares)				
Ng Yoke Chan	–	–	1,353,700	1,353,700
Tan Chee Tong	–	–	68,000	68,000

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Directors' interests in shares or debentures (Continued)

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

The directors' interests in the ordinary shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

Share options

No options granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Warrants

In 2012, the Company undertook a renounceable and non-underwritten rights issue of up to 77,343,707 new ordinary shares in the capital of the Company at an issue price of S\$0.10 for each rights share with up to 77,343,707 free detachable warrants, each warrant carrying the right to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of S\$0.34 for each new share, on the basis of 1 rights share with 1 warrant for every 4 existing ordinary shares held in the capital of the Company. The rights shares were listed for quotation on the Official List of SGX-ST and commenced trading on 24 April 2012. The warrants were listed for quotation on the Official List of SGX-ST and commenced trading on 25 April 2012.

On 27 November 2015, a share consolidation exercise was completed such that every ten (10) warrants were consolidated into one (1) adjusted warrant at an exercise price of S\$3.40 for each new consolidated share.

No shares were issued during the financial year by virtue of the exercise of warrants to take up unissued shares of the Company.

The number of warrants of the Company outstanding at the end of the financial year was 7,733,986 (2015: 7,733,986). These warrants have already expired as at the date of this statement.

The warrants are not dilutive as the exercise price of the warrant to convert into ordinary shares is more than the average share price as at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

William Teo Choon Kow, BBM (Chairman)
Wee Liang Hiam
Eric Chew Yee Teck, PBM

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Audit Committee (Continued)

All members of the Audit Committee were independent non-executive directors. The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed and performed the following:

- (A) assist the Board in discharging its responsibilities to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group.
- (B) provide a channel of communication between the Board, the management team and the Company's external auditors on matters relating to audit.
- (C) monitor management's commitment to the establishment and maintenance of a satisfactory control environment and an effective system of internal control (including any arrangements for internal audit).
- (D) monitor and review the scope and results of external audit and its cost effectiveness and the independence and objectivity of the external auditors.

The main functions of the Audit Committee are as follows:

- (a) review the external auditors' audit plans, their evaluation of the system of internal controls, their management letter and management's response thereto;
- (b) review the internal auditors' internal audit plans and their evaluation of the adequacy of the Group's internal control and accounting system before submission of the results of such review to the Board for approval;
- (c) review the half yearly and, where applicable, quarterly, and annual financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- (d) review the internal control and procedures and ensure co-ordination between the external auditors and the management, review the assistance given by the management, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss (in the absence of the management where necessary);
- (e) review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (f) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (g) review the Groups' hedging policies, procedures and activities (if any) and monitor the implementation of the hedging procedure/policies, including reviewing the instruments, processes and practices in accordance with any hedging policies approved by the Board;
- (h) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate such potential conflicts of interests;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Audit Committee (Continued)

- (i) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;
- (j) review and discuss with investigators, any suspected fraud, irregularity, or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the management's response thereto;
- (k) review the findings of internal investigation into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any laws, rules or regulations which has or is likely to have material impact on the Group's operating results and/or financial position;
- (l) review arrangements by which the Group's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;
- (m) review the effectiveness and adequacy of the Group's administrative, operating, internal accounting and financial control procedures;
- (n) review the key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET; and
- (o) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time.

The Audit Committee has full access to and co-operation from management, external auditors and internal auditors and has been given adequate resources to enable it to discharge its responsibilities properly.

The Audit Committee has reviewed the non-audit services provided to the Company by the independent auditor as part of the Audit Committee's assessment of the independent auditor's independence. In 2016, no non-audit services were provided by PricewaterhouseCoopers LLP to the Company and the Audit Committee is satisfied that the independent auditor's objectivity and independence have not been compromised. The Audit Committee would annually review the independence of the independent auditor.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Stephen Leong, BBM
Director

Tan Chee Tong
Director

28 April 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of PSL Holdings Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Assessment of ability to exercise control over PT Momentum Indonesia Investama ("PTMII") As disclosed in Note 3(a) to the financial statements, on 25 November 2015, the Group acquired 49% equity interest in PTMII. Based on the considerations listed in Note 3(a), management of the Group has concluded that the Group has control over PTMII and accordingly, regarded PTMII as a subsidiary (Note 17) and has consolidated PTMII's financial results since the financial year ended 31 December 2015 ("FY 2015"). Following the resignation of both of the Company's representatives in the three member board of PTMII during the current financial year, the Company encountered difficulties in receiving timely financial information from PTMII from June 2016 to January 2017. A minority shareholder of PTMII in Batam also brought a legal claim against the Company on the validity of certain clauses in the Conditional Sales and Purchase Agreement signed between the Company and the said minority shareholder relating to the Company's ability to appoint its representatives to the board of directors of PTMII. As a result of this legal claim, the Company was unable to appoint its representatives to the board of directors in PTMII until it took legal action based on advices from its lawyers in Singapore and in Indonesia and subsequently won the court case in Singapore on 16 January 2017, as described in Note 3(a).	We evaluated the assessment by management of the Group on the accounting treatment of PTMII as a subsidiary based on the requirements set out in FRSs. We inquired with management of the Group and corroborated the evidence through our observations during the audit and supporting documents including external lawyers' advice, court ruling, board resolution of PTMII dated 21 February 2017 on the appointment of two of the Company's representatives as directors of PTMII, the agreements with the minority shareholders and the Deed of Incorporation of PTMII. We held discussions with the external lawyers appointed by the Group to understand their views on this matter. Based on our work performed, we found the basis and disclosures in Notes 3 and 17 to the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Assessment of ability to exercise control over PT Momentum Indonesia Investama ("PTMII") (Continued) Based on the outcome of the legal action, the Company has since successfully appointed its two representatives to the board of directors in PTMII and has also received full cooperation from the said minority shareholder and management of PTMII to enforce its rights under the agreements to control PTMII. Despite the developments during the financial year, the management of the Group, taking into consideration the outcome of the above legal action, has evaluated and concluded that the Company has control over PTMII since 25 November 2015 and it is appropriate to account for PTMII as its subsidiary as at and for the financial year ended 31 December 2016. The assessment of whether the Company has control over PTMII without a majority of voting rights requires significant management judgment. We determined that this is a key audit matter as this judgment has significant impact on the amounts recognised in the consolidated financial statements.	

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Impairment of the property, plant and equipment, goodwill and intangible assets of PTMII As disclosed in Note 3(b) to the financial statements, the carrying value of the Group's vessels (included within property, plant and equipment), goodwill and other intangible assets relating to PTMII (excluding impairment charges) amounted to S\$59.60 million, S\$3.42 million and S\$1.36 million, respectively at 31 December 2016. The Group, based on the recoverable amounts determined based on the fair value less cost to sell of the assets, recorded impairment in value of the respective assets relating to PTMII as follows: – S\$30.6 million for vessels – S\$3.4 million for goodwill – S\$1.36 million for other intangible assets In arriving at the recoverable amounts of the assets, management has engaged a professional external valuer to determine the fair value of the assets. We determined that this is a key audit matter due to the significant judgement exercised by management to estimate the recoverable amount of the Group's vessels, goodwill and other intangible assets.	We held discussions with management to understand their assessment and decisions. We reviewed management's impairment assessment and assessed the appropriateness of the valuation methodology, key assumptions and estimates used to derive the fair value of the assets. We assessed the competency, capability and objectivity of the professional external valuer. We also held discussions with the valuer to discuss and understand the basis of valuation. We also considered the adequacy and appropriateness of the disclosures made in the financial statements in Note 3(b). Based on the work performed, we found the methodology and assumptions used to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Key Audit Matter	How our audit addressed the Key Audit Matter
3. Assessment of fair value of profit guarantee from PTMII As disclosed in Note 3(c) to the financial statements, the vendors of PTMII have provided a guarantee to the Group that PTMII will achieve an aggregate of approximately S\$17,300,000 (US\$12,245,000) Net Profit After Tax ("NPAT") over a 24-month period following the completion date of the acquisition on 25 November 2015. In the event that the targeted NPAT is not met, the vendors of PTMII are obliged to compensate the Company the shortfall amount in cash based on its 49% ownership interest in PTMII. Management had engaged a professional external valuer to perform a valuation of the fair value of the profit guarantee as at 31 December 2016. The fair value of the profit guarantee was estimated to be S\$5.9 million as at 31 December 2016 (31 December 2015: S\$2.2 million). We determined that this is a key audit matter due to the significant judgement exercised by management to estimate the forecast NPAT for FY2017, the historical earnings growth rate and discount rate, which are the key assumptions used in the computation of the fair value of the profit guarantee.	We held discussions with management to understand the determination of the fair value of the profit guarantee. We assessed the competency, capability and objectivity of the professional external valuer. With the help of our internal valuation specialist, we assessed the appropriateness of the valuation methodology and the key assumptions used. Based on the work performed, we found the valuation methodology and the key assumptions used by management to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- * Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- * Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PSL HOLDINGS LIMITED

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Chian Yorn.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

28 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 S\$'000	2015 S\$'000
Revenue	4	21,087	7,994
Cost of sales		(17,826)	(7,256)
Gross profit		3,261	738
Other income	5	4,686	343
Other gains – net	6	1,638	708
Expenses			
Selling and distribution expenses		–	(51)
General and administrative expenses		(39,779)	(3,083)
Finance expenses	7	(751)	(111)
Loss before income tax		(30,945)	(1,456)
Income tax credit/(expense)	9	3,081	(3)
Loss after tax		(27,864)	(1,459)
Other comprehensive profit/(loss):			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		1,203	(212)
Total comprehensive loss for the financial year		(26,661)	(1,671)
Loss attributable to:			
Equity holders of the Company		(11,969)	(1,301)
Non-controlling interests		(15,895)	(158)
		(27,864)	(1,459)
Total comprehensive loss attributable to:			
Equity holders of the Company		(11,270)	(1,406)
Non-controlling interests		(15,391)	(265)
		(26,661)	(1,671)
Loss per share for loss attributable to equity holders of the Company (cents)			
Basic and diluted loss per share	10	(29.93)	(3.36)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS (GROUP AND COMPANY)

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000 (Restated)
ASSETS					
Current assets					
Trade and other receivables	11	11,655	3,680	5,915	10
Inventories	12	314	177	–	–
Amounts due from subsidiaries	13	–	–	6,612	6,677
Cash and cash equivalents	14	14,163	12,385	11,437	3,452
Total current assets		26,132	16,242	23,964	10,139
Non-current assets					
Property, plant and equipment	15	31,056	61,712	–	–
Intangible assets	16	–	4,982	–	–
Investments in subsidiaries	17	–	–	3,891	18,746
Available-for-sale financial assets	19	10	15	–	–
Amounts due from subsidiaries	13	–	–	9,537	11,943
Trade and other receivables	11	614	1,438	–	1,418
Total non-current assets		31,680	68,147	13,428	32,107
Total assets		57,812	84,389	37,392	42,246
LIABILITIES					
Current liabilities					
Trade and other payables	20	14,845	12,273	555	337
Amounts due to subsidiaries	13	–	–	6,252	1,067
Finance lease liabilities	21	291	428	–	–
Bank borrowings	22	1,881	–	–	–
Current income tax liabilities		6	120	–	–
Total current liabilities		17,023	12,821	6,807	1,404
Non-current liabilities					
Trade and other payables	20	7,027	10,520	–	–
Finance lease liabilities	21	183	482	–	–
Deferred income tax liabilities	23	48	3,272	46	–
Total non-current liabilities		7,258	14,274	46	–
Total liabilities		24,281	27,095	6,853	1,404
NET ASSETS		33,531	57,294	30,539	40,842
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	32,533	29,575	32,533	29,575
Currency translation reserve		594	(105)	–	–
Retained earnings/(accumulated losses)		3,534	15,513	(1,994)	11,267
Capital reserve		182	182	–	–
		36,843	45,165	30,539	40,842
Non-controlling interests	17	(3,312)	12,129	–	–
Total equity		33,531	57,294	30,539	40,842

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Attributable to equity holders of the Company				
		Share capital S\$'000	Retained earnings S\$'000	Currency translation reserve S\$'000	Capital reserve* S\$'000	Non-controlling interests S\$'000
2016						
Beginning of financial year		29,575	15,513	(105)	182	12,129
Net loss for the year		-	(11,969)	-	-	(15,895)
Other comprehensive (loss)/income for the year		-	-	699	-	504
Total comprehensive (loss)/income for the year		-	(11,969)	699	-	(15,391)
Dividends paid to non-controlling interest by a subsidiary		-	-	-	-	(50)
Issuance of shares	24	2,958	-	-	-	2,958
Others		-	(10)	-	-	(10)
End of financial year		32,533	3,534	594	182	(3,312)
2015						
Beginning of financial year		29,575	16,814	-	182	493
Net loss for the year		-	(1,301)	-	-	(158)
Other comprehensive loss for the year		-	-	(105)	-	(107)
Total comprehensive loss for the year		-	(1,301)	(105)	-	(265)
Dividends paid to non-controlling interest by a subsidiary		-	-	-	-	(75)
Additions arising from acquisition of a subsidiary	18	-	-	-	-	11,976
End of financial year		29,575	15,513	(105)	182	12,129

* Capital reserve arose from bonus issue of ordinary shares and are not available for dividend distribution to shareholders.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 S\$'000	2015 S\$'000
Cash flows from operating activities			
Loss after tax		(27,864)	(1,459)
Adjustments for:			
– Income tax (credit)/expense	9	(3,081)	3
– Profit guarantee	5	(3,646)	–
– Renounced dividends	5	(826)	–
– Depreciation of property, plant and equipment	8	3,347	774
– Impairment loss on property, plant and equipment	8	30,629	–
– Property, plant and equipment written off	6	–	58
– Impairment loss on goodwill	8	3,423	–
– Impairment loss on intangible assets	8	1,360	–
– Impairment loss on investment in available-for-sale financial assets	6	9	45
– Gain from disposal of property, plant and equipment	6	(121)	(125)
– Amortisation expense on intangible asset	8	331	28
– Unrealised currency translation (gains)/losses		(1,618)	171
– Interest income	5	(68)	(212)
– Interest expense	7	751	111
		<u>2,626</u>	<u>(606)</u>
Change in working capital, net of effects from acquisition of subsidiaries:			
– Trade receivables and other receivables		(2,679)	1,452
– Inventories		(137)	93
– Trade payables, other payables and accruals		(921)	(3,528)
Cash used in operations		<u>(1,111)</u>	<u>(2,589)</u>
Interest received		68	212
Income tax refund		–	18
Income tax paid		(209)	(65)
Net cash used in operating activities		<u>(1,252)</u>	<u>(2,424)</u>
Cash flows from investing activities			
Refund of deposits from proposed investments	A	–	5,252
Proceeds from disposal of subsidiaries	30	–	4,370
Proceeds from disposal of property, plant and equipment		223	181
Acquisition of a subsidiary, net of cash acquired	18(b)	–	(12,439)
Purchase of available-for-sale financial assets	19	(4)	–
Government grant received related to assets	B	–	53
Purchase of property, plant and equipment	B	(549)	(67)
Net cash used in investing activities		<u>(330)</u>	<u>(2,650)</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 S\$'000	2015 S\$'000
Cash flows from financing activities			
Proceeds from bank borrowings		3,864	480
Repayment of bank borrowings		(1,983)	(16,753)
Repayment of finance lease liabilities		(436)	(476)
(Increase)/decrease in short-term deposits pledged	14	(2,247)	479
Proceeds from issuance of share capital	24	2,958	–
Interest paid		(751)	(111)
Dividends paid to non-controlling interest by a subsidiary		(50)	(75)
Net cash generated from/(used in) financing activities		1,355	(16,456)
Net decrease in cash and cash equivalents		(227)	(21,530)
Cash and cash equivalents at beginning of financial year		11,217	32,685
Effect of currency translation on cash and cash equivalents		(242)	62
Cash and cash equivalents at end of financial year	14	10,748	11,217

Note A:

A refundable deposit was placed for the proposed investment in Longmen Group Limited in 2014. The balance of S\$5,252,000 together with the interest at the rate of 5.33% was fully refunded to the Company during the financial year ended 31 December 2015.

Note B:

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of S\$549,000 (2015: S\$196,000) of which S\$ Nil (2015: S\$129,000) was acquired under finance leases. A cash payment of S\$549,000 (2015: S\$67,000) was made to purchase property, plant and equipment of which S\$ Nil (2015: S\$53,000) was subsidised by government grants received in cash.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

PSL Holdings Limited (the “Company”) is listed on the Singapore Exchange and is incorporated and domiciled in Singapore.

The address of its registered office is 37 Jalan Pemimpin #07-16, Mapex, Singapore 577177.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

On 25 November 2015, the Group acquired control of PT Momentum Indonesia Investama (“PTMII”), a marine logistics services company incorporated and domiciled in Indonesia.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating revenue within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Sale of goods – construction hardware and accessories*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

(b) *Rendering of services – construction logistics services*

Service income from construction logistics services is recognised upon completion of work in accordance with the substance of the relevant agreements.

(c) *Rendering of services – marine logistics services*

Service income from marine logistics services is recognised when the services are rendered. For shipments in transit, revenue is recognised using the percentage-of-completion method based on the actual service provided as a proportion of the total services to be performed.

(d) *Interest income*

Interest income including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.2 Revenue recognition (Continued)

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) Rental income

Equipment rental income is recognised on a straight-line basis over the lease term.

2.3 Accrued service revenue

Accrued service revenue relates to services rendered but not billed to customers. They will be billed upon completion of the project.

2.4 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.5 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.5 Group accounting (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation (Continued)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.5 Group accounting (Continued)

(a) *Subsidiaries (Continued)*

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies, and joint ventures" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Investments in subsidiaries*

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

2.6 Property, plant and equipment

(a) *Measurement*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

(a) Measurement (Continued)

Vessels are revalued by independent professional valuers and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

(b) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(c) Depreciation

Land is stated at cost and is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

		<u>Useful lives</u>
Buildings	–	20 years
Leasehold improvement	–	2 to 10 years (depreciated over shorter of the period of the lease terms or useful lives)
Vessels	–	25 years
Self-unloading vessels	–	20 years
Vessels equipment	–	4 years
Plant and machinery	–	3 to 10 years
Office and other equipment	–	3 to 10 years
Motor vehicles	–	1 to 10 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

(c) Depreciation (Continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

During the year ended 31 December 2016, the Group revised its estimates for the useful lives of tugs and barges after conducting an operational review of their useful lives. As a result, there was a change in the expected useful lives of these assets from 20 to 25 years. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2016 S\$'000	2017 S\$'000	2018 S\$'000	2019 S\$'000	2020 S\$'000	Later S\$'000
Group						
(Decrease)/increase in depreciation expense and (increase)/decrease in profit after tax	(1,183)	(1,183)	(1,183)	(1,183)	(1,183)	(14,883)

(d) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(e) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.7 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) Acquired customer contract and related customer relationship

Customer contract and related customer relationship acquired are initially recognised at fair value and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 5 years, based on the period of the expected benefits and contractual rights.

2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.9 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.10 Impairment of non-financial assets (Continued)

(a) Goodwill (Continued)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets Property, plant and equipment Investments in subsidiaries

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables [excluding advance payment to suppliers and prepayments]", "amounts due from subsidiaries" and "cash and cash equivalents" on the balance sheet.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.11 Financial assets (Continued)

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translated differences.

Available-for-sale financial assets which are (a) unquoted equity investments, are subsequently carried at cost, less allowance for impairment when its fair value cannot be reliably measured; (b) quoted equity investments, are subsequently carried at fair value.

(e) *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.11 Financial assets (Continued)

(e) *Impairment of financial assets (Continued)*

(i) *Loans and receivables (Continued)*

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

For unquoted investments equity instruments, impairment losses are not reversed.

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.11(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.13 Financial guarantees (Continued)

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.14 Bank borrowings

Bank borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Bank borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the bank borrowings using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Leases

(a) *When the Group is the lessee*

The Group leases motor vehicles and certain plant and machinery under finance leases and certain properties and warehouse under operating leases from non-related parties.

(i) *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.16 Leases (Continued)

(a) When the Group is the lessee (Continued)

(i) Lessee – Finance leases (Continued)

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.18 Income taxes (Continued)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.20 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

The Group operates both defined benefit and defined contribution post-employment benefit plans.

(i) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.20 Employee compensation

(ii) *Defined benefit plans*

The Group calculate and record the post-employment benefits to its employees in accordance with the Indonesia Labour Law No. 13/2003. No funding has been made to this defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statements of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates at the reporting date of government bonds (considering that currently there is no deep market for high quality corporate bonds) that are denominated in Rupiah, in which the benefits will be paid and that have terms to maturity similar to the related pension obligation.

Past service cost are recognised immediately in the profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charge or credited to equity in other comprehensive income in the period in which they arise.

(iii) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(iv) *Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.21 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, and all values are rounded to the nearest thousand (S\$'000) except where indicated otherwise, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains/(losses) – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies (Continued)

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.25 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.26 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Assessment of ability to exercise control over PTMII

On 25 November 2015, the Company acquired a 49% equity interest in PTMII. Based on the following considerations, the management of the Group has concluded that the Company has control over PTMII and accordingly, PTMII is regarded as a subsidiary (Note 17) and the Group has consolidated PTMII's financial results since the financial year ended 31 December 2015 ("FY 2015"):

- (i) Based on the conditional sale and purchase agreement signed between the Company and the vendors of PTMII dated 17 March 2015, the Company is entitled to nominate such number of persons to the board of directors of PTMII as it may decide at its sole and absolute discretion, for the purpose of, inter alia, establishing "control" as defined in the FRS specifically FRS 110. Based on Article 12 of the Deed of Incorporation of PTMII, the board of directors has the right to direct the relevant activities of PTMII, i.e. the activities that significantly affect the investee's returns.
- (ii) By virtue of the Company's 49% interest in PTMII, the Group is exposed to variable returns in the form of dividends, profit guarantees and returns from sale of assets and net tangible assets of PTMII.
- (iii) The Company has the ability to use its power (through its majority representation in the board of directors of PTMII and service agreement with PTMII's key management) to affect PTMII's returns.

During FY 2015, the Group appointed its Chief Executive Officer ("CEO") and Group Financial Controller ("GFC") as directors of PTMII, which make up majority of the three member board of directors of PTMII.

Following the resignation of the GFC and the CEO from the Group and as directors of PTMII during the current financial year, the Company encountered difficulties in receiving timely financial information from PTMII from June 2016 to January 2017. A minority shareholder of PTMII in Batam also brought a legal claim against the Group on the validity of certain clauses in the Conditional Sales and Purchase Agreement ("CSPA") signed between the Company and the said minority shareholder relating to the Company's ability to appoint directors to the board of PTMII. As a result of this legal claim, the Company was unable to appoint any directors to the board of directors of PTMII until it won the court case in Singapore on 16 January 2017, as described below.

The management of the Group has obtained legal advices from its external lawyers in Singapore and Indonesia to confirm its rights under the various agreements signed between the Company and the said minority shareholder. Based on these advices, the Company believes that it has control over PTMII.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Critical accounting estimates, assumptions and judgements (Continued)

(a) Assessment of ability to exercise control over PTMII (Continued)

On 22 November 2016, the Group brought a court action against the said minority shareholder in Singapore as the agreements were governed by and construed in accordance with the law in Singapore. On 16 January 2017, the High Court of Singapore ruled in favour of the Company to enforce its legal rights to appoint new directors to the board of directors of PTMII. Based on this order, the Company successfully appointed two directors in PTMII in February 2017. Since that date, the Group has also received full cooperation from the said minority shareholder and management of PTMII to enforce its rights under the agreements to control PTMII.

Despite the developments during the financial year, the management of the Group, taking into consideration the outcome of the above court action, have evaluated and concluded that the Company has control over PTMII since 25 November 2015 and it is appropriate to account for PTMII as a subsidiary of the Company as at and for the financial year ended 31 December 2016.

(b) Impairment of the property, plant and equipment, goodwill and intangible assets of PTMII

The carrying value of the Group's vessels (included within property, plant and equipment), goodwill and other intangible assets relating to PTMII (excluding impairment charges) amounted to S\$59.60 million, S\$3.42 million and S\$1.36 million, respectively at 31 December 2016 [Notes 15, 16(a) and 16(b) respectively].

In accordance to FRSs, the management of the Group tested goodwill for impairment annually and whenever there is indication that the goodwill may be impaired, and tested the vessels and other intangible assets for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The management of the Group has considered that there is objective evidence that the vessels, goodwill and other intangible assets may be impaired at 31 December 2016 due to the following considerations and accordingly, carried out impairment testing of its vessels, goodwill and other intangible assets relating to PTMII:

- (a) The business performance of PTMII has been below expectations.
- (b) PTMII had a material customer contract which did not materialise during the financial year and significantly impacted the performance of PTMII.
- (c) Future profitability and short-term business outlook of PTMII, including factors such as the deterioration in the economic environment for shipping industry.
- (d) Significant decline in the market value of PTMII's vessels.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Critical accounting estimates, assumptions and judgements (Continued)

(b) Impairment of the property, plant and equipment, goodwill and intangible assets of PTMII (Continued)

In arriving at the recoverable amounts of the assets, the management engaged an independent third party valuer to determine the fair value of the vessels. Based on the recoverable amounts, determined based on the fair value less cost to sell, the Group recorded the following impairment in value of the respective assets in profit or loss for the financial year ended 31 December 2016:

- S\$30.6 million for vessels
- S\$3.4 million for goodwill
- S\$1.36 million for other intangible assets

(c) Assessment of fair value of profit guarantee from PTMII

The vendors of PTMII have provided a guarantee to the Group that PTMII will achieve an aggregate of approximately S\$17,300,000 (US\$12,245,000) Net Profit After Tax ("NPAT") over a 24-month period following the completion date of the acquisition on 25 November 2015. The actual NPAT achieved will be compared against the targeted NPAT.

In the event that the targeted NPAT is not met, the vendors of PTMII are obliged to compensate the shortfall amount in cash based on its 49% ownership interest in PTMII.

Management has engaged a professional external valuer to perform a valuation of the fair value of the profit guarantee as at 31 December 2016.

The fair value of the profit guarantee was estimated to be S\$5.9 million as at 31 December 2016 (31 December 2015: S\$2.2 million) (Note 5). In determining the fair value, significant judgements are used to estimate the forecast NPAT for FY2017, historical earnings growth rate and discount rate. In making these estimates, management has relied on past performance, its expectations of market development in Indonesia, the marine vessels industry trends and bank prime lending rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Revenue

	Group	
	2016	2015
	S\$'000	S\$'000
Sales of goods – construction hardware and accessories	1,880	77
Rendering of services – construction logistics services	4,688	6,392
Rendering of services – marine logistics services	14,519	1,525
	21,087	7,994

5. Other income

	Group	
	2016	2015
	S\$'000	S\$'000
Interest income from banks	68	212
Government grants	146	86
Profit guarantee due from Vendors* (Note 11)	3,646	–
Lapse of renounced dividends** (Note 11)	826	–
Sundry income	–	45
	4,686	343

* In accordance to the Conditional Sale and Purchase Agreement dated 17 March 2015 and the Supplemental Sale and Purchase Agreement dated 3 August 2015 entered into between Sudirman Kurniawan and Angelo Fernandus (hereinafter referred to as "Vendors") and the Company for the acquisition by the Company of approximately 49% of the entire issued and paid-up capital of PTMII, the Vendors had provided personal guarantee to the Company that PTMII will achieve an aggregate of approximately S\$17,300,000 (US\$12,245,000) net profit after tax ("NPAT") over a 24-month period, commencing from November 2015 following the completion of the acquisition.

Based on the actual NPAT achieved during the guaranteed periods, financial forecasts and targeted NPAT of PTMII for the remaining periods within the guaranteed periods, the management carried out a review of the fair value of the profit guarantee at 31 December 2016 and recognised an additional amount of S\$3,646,000 in profit or loss for the financial year ended 31 December 2016. The total amount of profit guarantee due from Vendors at 31 December 2016 amounted to S\$5,890,000 (Note 11).

** As at 31 December 2016, PTMII did not generate a NPAT of US\$3,000,000. Accordingly, the agreement to renounce the Group's dividend entitlement has lapsed [Note 18(e)].

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Other gains – net

	Group	
	2016	2015
	S\$'000	S\$'000
Impairment loss on investment in available-for-sale financial assets (Note 19)	(9)	(45)
Property, plant and equipment written off	–	(58)
Currency exchange gains	1,526	686
Gain from disposal of property, plant and equipment	121	125
	1,638	708

7. Finance expenses

	Group	
	2016	2015
	S\$'000	S\$'000
Interest expense		
– shareholders loans granted to a subsidiary	240	15
– bank borrowings	14	15
– finance leases	28	48
– amortisation cost on loans	469	33
	751	111

8. Expenses by nature

	Group	
	2016	2015
	S\$'000	S\$'000
Cost of sales	17,826	7,256
Selling and distribution expenses	–	51
General and administrative expenses	39,779	3,083
	57,605	10,390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Expenses by nature (Continued)

	Group	
	2016 S\$'000	2015 S\$'000
Changes in inventories	(137)	93
Purchase of inventories	2,000	417
Charter expenses	2,609	44
Port disbursement	480	33
Certificates and shipping documents	466	16
Loading fees	399	85
Impairment loss on property, plant and equipment (Note 15)	30,629	–
Impairment loss on goodwill [Note 16(a)]	3,423	–
Impairment loss on intangible assets [Note 16(b)]	1,360	–
Depreciation of property, plant and equipment (Note 15)	3,347	774
Amortisation on intangible assets [Note 16(b)]	331	28
Total depreciation, amortisation and impairment	39,090	802
Subcontractors costs	1,569	3,443
Insurance and road tax	337	147
Diesel and oil lubricants	3,215	460
Repair and maintenance	530	447
Utilities and telecommunication	23	38
Other expenses	99	596
Transportation expenses	167	112
General office expenses	74	78
Directors' remuneration and fees [Note 26(ii)]		
– fees	155	224
– wages and salaries	580	501
– employer's contributions to defined contribution plan	46	27
Employee compensation (excluding directors)		
– wages and salaries	3,902	1,372
– employer's contributions to defined contribution plan	154	56
Entertainment and gifts	64	74
Professional fees	655	601
Auditor's remuneration paid/payable to:		
– Auditor of the Company	100	70
– Other auditors	99	46
Other fees paid/payable to:		
– Auditor of the Company	–	91
Rental on operating leases	281	470
Allowance/(write-back of allowance) for impairment of trade receivables	521	(76)
Allowance for impairment for sundry receivables – net (Note 11)	–	28
Listing expenses	127	95
	57,605	10,390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Income tax (credit)/expense

Tax (credit)/expense attributable to results is made up of:

	Group	
	2016 S\$'000	2015 S\$'000
<u>Loss for the financial year:</u>		
Current income tax		
– foreign	174	22
	174	22
Deferred income tax (Note 23)	(3,223)	(19)
	(3,049)	3
<u>Over provision in prior financial years:</u>		
Current income tax	(32)	–
	(3,081)	3

The tax on the Group's results differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2016 S\$'000	2015 S\$'000
Loss before income tax	(30,945)	(1,456)
Tax calculated at tax rate 17% (2015:17%)	(5,261)	(248)
Effects of:		
– income not subject to tax	(4,151)	(53)
– expenses not deductible for tax purposes	6,188	140
– different tax rates in other country	174	72
– deferred tax assets not recognised	555	127
– utilisation of previously unrecognised capital allowance	(554)	(35)
– over provision in prior financial years	(32)	–
Tax (credit)/expense	(3,081)	3

As at 31 December 2016, the Group has unabsorbed tax losses and capital allowances of approximately S\$5,680,000 (2015: S\$2,415,000) which are available for set off against future taxable income, subject to meeting the shareholder and/or same trade tests. No deferred tax asset has been recognised in the balance sheet in respect of unabsorbed tax losses and capital allowances due to the unpredictability of future profit streams. These unabsorbed tax losses and capital allowances can be carried forward indefinitely, subject to meeting the shareholder and/or same trade tests. The Company has no unabsorbed tax losses and unabsorbed capital allowances as at 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Income tax expenses/(credit) (Continued)

Different tax rates in other country

Based on the Decision Letters No. 416/KMK.04/1996 and No. 417/KMK.04/1996 dated June 14, 1996 of the Ministry of Finance of the Republic Indonesia and Circular letter No. 29/PJ.4/1996 dated August 13, 1996 of the Directorate General of Taxes, revenues from freight operations and charter of vessels, are subject to income tax computed at 1.2% of revenues of domestic companies, and the related costs and expenses are considered non-deductible for income tax purposes.

10. Loss per share

	Group	
	2016 S\$'000	2015 S\$'000
Net loss attributable to equity holders of the Company	<u>(11,969)</u>	<u>(1,301)</u>
	Number of Shares	
Weighted average number of shares used to compute basic loss per share	<u>39,985,551</u>	<u>38,671,830</u>
Basic and diluted loss per share (S\$)	<u>(29.93)</u>	<u>(3.36)</u>

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares during the financial year.

For the purpose of calculating diluted loss per share, loss attributable to the equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential shares: warrants. For the financial year ended 31 December 2016 and 31 December 2015, the dilutive potential ordinary shares have been excluded in the determinations of diluted earnings per share because they are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Trade and other receivables

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Current				
Trade receivables				
– Non-related parties	4,357	2,845	–	–
– Accrued service revenue	195	470	–	–
Less: Allowance for impairment of receivables of non-related parties	(628)	(116)	–	–
	3,924	3,199	–	–
Advance payments to suppliers	1,356	32	–	–
Contingent considerations on acquisition of a subsidiary [Note18(e)]	5,890	–	5,890	–
Staff advances ⁽ⁱ⁾	–	2	–	–
GST recoverable	40	6	7	3
Sundry receivables	326	367	8	1
Less: Allowance for impairment of other receivables	(212)	(212)	–	–
	114	155	8	1
Deposits	232	16	5	–
Prepayments	99	270	5	6
	11,655	3,680	5,915	10
Non-current				
Contingent considerations on acquisition of a subsidiary [Note18(e)]	–	1,418	–	1,418
Sundry receivables	614	5	–	–
	614	1,423	–	1,418
Prepayments	–	15	–	–
	614	1,438	–	1,418
Total	12,269	5,118	5,915	1,428

(i) Staff advances are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Trade and other receivables (Continued)

Trade receivables are non-interest bearing and are generally granted 30 days to 90 days (2015: 30 days to 90 days) credit term.

Accrued service revenue relates to services rendered but not billed to customers. They will be billed upon completion of the project.

Movements in contingent considerations on acquisition of a subsidiary are as follows:

	Group	
	2016 S\$'000	2015 S\$'000
Beginning of financial year	1,418	–
Additions arising from acquisition of a subsidiary [Note 18(e)]	–	1,418
Additional fair value recognised for profit guarantee due from Vendors (Note 5)	3,646	–
Lapse of renounced dividends (Note 5)	826	–
End of financial year	5,890	1,418

Movements in allowance for impairment of other receivables are as follows:

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Beginning of financial year	212	184	–	–
Allowance made during the financial year (Note 8)	–	28	–	–
End of financial year	212	212	–	–

The fair value of the non-current portion of sundry receivables approximates its carrying amount.

12. Inventories

	Group	
	2016 S\$'000	2015 S\$'000
Fuel and spare parts	314	177

The amount of inventories recognised as an expense and included in “cost of sales” amounted to S\$1,863,000 (2015: S\$510,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Amounts due from/(to) subsidiaries

	Company	
	2016	2015
	S\$'000	S\$'000
Current		
Amount due from subsidiaries:		
– trade	102	102
– non-trade	2,170	2,360
Loan due from a subsidiary	4,340	4,215
	6,612	6,677
Amount due to subsidiaries:		
– non-trade	(6,252)	(1,067)
Non-current		
Loan due from a subsidiary	12,298	11,943
Less: Impairment loss*	(2,761)	–
	9,537	11,943

Trade balances relate to management fee receivables. Non-trade balances are unsecured, interest free and repayable on demand.

Loan due from a subsidiary is unsecured, bears interest at 0.25% above the six-month Singapore Interbank Offered Rate and is not repayable within the next twelve months except for S\$4,340,000 (2015: S\$4,215,000) which is repayable on demand. The carrying value of the non-current portion of loan due from a subsidiary approximates its fair value.

* The management has considered that there is objective evidence that the loan due from a subsidiary may be impaired at 31 December 2016 due to the following considerations and accordingly, carried out an impairment testing of its vessels relating to PTMII:

- The business performance of PTMII has been below expectations.
- PTMII had a material customer contract which did not materialise during the financial year and significantly impacted the performance of PTMII.
- Future profitability and short-term business outlook of PTMII, including factors such as the deterioration in the economic environment for shipping industry.
- Significant decline in the market value of PTMII's vessels.

In arriving at the recoverable amounts of the assets, the management engaged an independent third party valuer to determine the fair value of the vessels. Based on the recoverable amounts, determined using the fair value less cost to sell, an impairment loss of S\$2.76 million was recorded in profit or loss for the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Cash and cash equivalents

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Fixed deposits with financial institutions	5,837	2,168	5,572	1,300
Cash at banks and on hand	8,326	10,217	5,865	2,152
	14,163	12,385	11,437	3,452

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2016 S\$'000	2015 S\$'000
Cash and bank balances (as above)	14,163	12,385
Less: Fixed deposits pledged with financial Institutions	(3,415)	(1,168)
Cash and cash equivalents per consolidated statement of cash flows	10,748	11,217

Fixed deposits with financial institutions are pledged in relation to the banking facilities granted to the subsidiaries.

The interest rates of fixed deposits with financial institutions of the Group and of the Company ranges from 0.65% to 1.55% per annum and 0.65% to 1.55% per annum (2015: 0.05% to 1.25% per annum and 0.65% to 1.20% per annum), respectively.

The maturity periods for the fixed deposits with financial institutions of the Group and of the Company ranges from 90 days to 365 days and 90 days (2015: 90 days to 365 days and 90 days), respectively from the date of placement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Property, plant and equipment

	Leasehold land and building \$'000	Leasehold improvement \$'000	Vessels \$'000	Vessel equipment \$'000	Plant and equipment \$'000	Office and other equipment \$'000	Motor vehicles \$'000	Total \$'000
Group								
2016								
<i>Cost</i>								
Beginning of financial year	250	17	59,568	76	327	319	3,197	63,754
Additions	–	3	468	30	21	27	–	549
Disposals	–	–	–	–	–	(9)	(470)	(479)
Currency translation differences – net	13	–	2,851	4	1	3	1	2,873
End of financial year	263	20	62,887	110	349	340	2,728	66,697
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	1	6	331	2	52	286	1,364	2,042
Impairment (Note 8)	–	–	30,629	–	–	–	–	30,629
Depreciation charge (Note 8)	11	10	2,903	29	41	26	327	3,347
Disposals	–	–	–	–	–	(6)	(371)	(377)
End of financial year	12	16	33,863	31	93	306	1,320	35,641
Net book value								
End of financial year	251	4	29,024	79	256	34	1,408	31,056

* During the financial year ended 31 December 2016, the Group recorded an impairment in the value of vessels of \$30,629,000. Further details are disclosed in Note 3(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Property, plant and equipment (Continued)

	Leasehold land and building \$'000	Leasehold improvement \$'000	Vessels \$'000	Vessel equipment \$'000	Plant and equipment \$'000	Office and other equipment \$'000	Motor vehicles \$'000	Total \$'000
Group								
2015								
Cost								
Beginning of financial year	–	105	–	–	333	292	3,477	4,207
Additions arising from acquisition of subsidiary	252	–	59,992	75	23	14	24	60,380
Additions	–	18	–	2	103	13	7	143
Disposals	–	–	–	–	(132)	–	(311)	(443)
Written off	–	(106)	–	–	–	–	–	(106)
	<u>252</u>	<u>17</u>	<u>59,992</u>	<u>77</u>	<u>327</u>	<u>319</u>	<u>3,197</u>	<u>64,181</u>
Currency translation differences	(2)	–	(424)	(1)	–	–	–	(427)
End of financial year	<u>250</u>	<u>17</u>	<u>59,568</u>	<u>76</u>	<u>327</u>	<u>319</u>	<u>3,197</u>	<u>63,754</u>
Accumulated depreciation								
Beginning of financial year	–	24	–	–	141	259	1,280	1,704
Depreciation charge (Note 8)	1	30	332	2	28	27	354	774
Disposals	–	–	–	–	(117)	–	(270)	(387)
Written off	–	(48)	–	–	–	–	–	(48)
Currency translation differences	–	–	(1)	–	–	–	–	(1)
End of financial year	<u>1</u>	<u>6</u>	<u>331</u>	<u>2</u>	<u>52</u>	<u>286</u>	<u>1,364</u>	<u>2,042</u>
Net book value								
End of financial year	<u>249</u>	<u>11</u>	<u>59,237</u>	<u>74</u>	<u>275</u>	<u>33</u>	<u>1,833</u>	<u>61,712</u>

The carrying amounts of the Group's property, plant and equipment included under finance lease agreements are as follows:

	Group	
	2016 S\$'000	2015 S\$'000
Plant and machinery	<u>173</u>	<u>196</u>
Motor vehicles	<u>1,383</u>	<u>1,759</u>
	<u>1,556</u>	<u>1,955</u>

Leased assets are pledged as security for the related finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Intangible assets

	Group	
	2016 S\$'000	2015 S\$'000
Goodwill arising on consolidation	–	3,324
Customer contract and related customer relationship	–	1,658
	<u>–</u>	<u>4,982</u>

(a) Goodwill arising on consolidation

	Group	
	2016 S\$'000	2015 S\$'000
<u>Cost</u>		
Beginning of financial year	3,324	–
Additions arising from acquisition of a subsidiary [Note 18(j)]	–	3,348
Currency translation difference	99	(24)
End of financial year	<u>3,423</u>	<u>3,324</u>
<u>Accumulated impairment</u>		
Beginning of financial year	–	–
Impairment loss (Note 8)*	(3,423)	–
End of financial year	<u>(3,423)</u>	<u>–</u>
<i>Net book value</i>	<u>–</u>	<u>3,324</u>

* For more details, please refer to Note 3(b).

(b) Customer contract and related customer relationship

	Group	
	2016 S\$'000	2015 S\$'000
<u>Cost</u>		
Beginning of financial year	1,686	–
Additions arising from acquisition of a subsidiary [Note 18(g)]	–	1,698
Currency translation difference	33	(12)
End of financial year	<u>1,719</u>	<u>1,686</u>
<u>Accumulated amortisation and impairment</u>		
Beginning of financial year	(28)	–
Amortisation charge (Note 8)	(331)	(28)
Impairment loss on intangible assets (Note 8)*	(1,360)	–
End of financial year	<u>(1,719)</u>	<u>(28)</u>
<i>Net book value</i>	<u>–</u>	<u>1,658</u>

* For more details, please refer to Note 3(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Investments in subsidiaries

	Company	
	2016	2015
	S\$'000	S\$'000
<u>Unquoted equity shares, at cost</u>		
Beginning of financial year	18,958	4,222
Additions arising from acquisition of a subsidiary (Note 18)	–	14,855
Amount written off due to voluntary liquidation	–	(119)
End of financial year	<u>18,958</u>	<u>18,958</u>
<u>Allowance for impairment losses</u>		
Beginning of financial year	(212)	(331)
Amount written off due to voluntary liquidation	–	119
Impairment loss*	<u>(14,855)</u>	<u>–</u>
End of financial year	<u>(15,067)</u>	<u>(212)</u>
	<u>3,891</u>	<u>18,746</u>

* The management has considered that there is objective evidence that its investment in PTMII may be impaired at 31 December 2016 due to the following considerations and accordingly, carried out an impairment testing of its investment in PTMII:

- The business performance of PTMII has been below expectations.
- PTMII had a material customer contract which did not materialise during the financial year and significantly impacted the performance of PTMII.
- Future profitability and short-term business outlook of PTMII, including factors such as the deterioration in the economic environment for shipping industry.
- Significant decline in the market value of PTMII's vessels.

Based on the impairment testing, an impairment loss of the Company of S\$14,855,000 was recorded in profit or loss of the Company for the financial year ended 31 December 2016, being the shortfall between the carrying value and recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Investments in subsidiaries (Continued)

The details of the subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of companies	Principal activities	Country of incorporation/ business	Percentage of ownership interest	
			2016 %	2015 %
<u>Held by the Company</u>				
PSL Metal Pte. Ltd. (f.k.a. Resource Hardware & Trading Pte. Ltd.) ^(a)	Installation of industrial machinery and equipment; mechanical engineering works and building construction	Singapore	100	100
TSL Transport & Engineering Pte. Ltd. ^(a)	Excavation and earth moving works and general engineering activities	Singapore	75	75
PSL Energy Resources Pte. Ltd. ^(a)	Investment holding	Singapore	100	100
PSL Maritime Strategic Pte. Ltd. ^(a)	Investment holding	Singapore	100	100
<u>Held by PSL Maritime Strategic Pte. Ltd.</u>				
PT Jaya Sukses Investasi ^(b)	Investment holding	Indonesia	99.9	99.9
<u>Held by PT Jaya Sukses Investasi</u>				
PT Selaras Sukses Selalu ^(b)	Investment holding	Indonesia	99.99	99.99
<u>Held by PT Selaras Sukses Selalu</u>				
PT Momentum Indonesia Investama ^(c)	Engaged in shipping including transport and shipping cargo and rental of vessels	Indonesia	49	49

(a) Audited by PricewaterhouseCoopers LLP, Singapore.

(b) Not required to be audited under the laws of the country of incorporation.

(c) Audited by KAP Tanudiredja, Wibisana, Rintis & Rekan (a member of the PricewaterhouseCoopers network of firms). The assessment of control for shareholding less than 50% are further disclosed in Note 3(a).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Investment in subsidiaries (Continued)

Carrying value of non-controlling interests

	2016 S\$'000	2015 S\$'000
PT Momentum Indonesia Investama	(3,796)	11,646
TSL Transport & Engineering Pte. Ltd.	483	482
PT Jaya Sukses Investasi	1	1
	<u>(3,312)</u>	<u>12,129</u>

Interest in a subsidiary with material non-controlling interest

Summarised financial information of a subsidiary with material non-controlling interest

Set out below are the summarised financial information for one of the above subsidiaries that has material non-controlling interest to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2016 and 2015 apart from those disclosed in Note 26.

Summarised balance sheet

	PT Momentum Indonesia Investama	
	2016 S\$'000	2015 S\$'000
Current		
Assets	4,297	2,572
Liabilities	(36,125)	(15,270)
Total net current liabilities	<u>(31,828)</u>	<u>(12,698)</u>
Non-current		
Assets	31,333	61,298
Liabilities	(6,948)	(25,765)
Total net non-current assets	<u>24,385</u>	<u>35,533</u>
Net liabilities/(assets)	<u>(7,443)</u>	<u>22,835</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. Investment in subsidiaries (Continued)

Summarised financial information of a subsidiary with material non-controlling interest (Continued)

Summarised income statement

	PT Momentum Indonesia Investama	
	2016 S\$'000	2015 S\$'000
Revenue	14,519	1,525
Loss before income tax	(34,268)	(448)
Income tax credit	3,126	11
Loss after tax	(31,142)	(437)
Other comprehensive income/(loss)	1,024	(212)
Total comprehensive loss	(30,118)	(649)
Total comprehensive loss allocated to non-controlling interest	(15,375)	(331)
Dividend paid to non-controlling interest	–	–

Summarised cash flows

	PT Momentum Indonesia Investama	
	2016 S\$'000	2015 S\$'000
Cash flows generated from/(used in) operations	909	(2,898)
Interest income	4	1
Interest paid	(474)	(38)
Income tax paid	(17)	(18)
Net cash generated from/(used in) operating activities	422	(2,953)
Net cash used in investing activities	(523)	(2)
Net cash generated from/(used in) financing activities	643	(469)
Net increase/(decrease) in cash and cash equivalents	542	(3,424)
Cash and cash equivalents at beginning of financial year	409	3,832
Currency translation	–	1
Cash and cash equivalents at end of financial year	951	409

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Business combinations in the previous financial year

On 25 November 2015, the Group acquired a 49% equity interest in PT Momentum Indonesia Investama ("PTMII"). The principal activities of PTMII are marine logistics services which primary in the provision of tug and barge freight logistics.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	S\$'000
Cash paid	16,273
Contingent considerations ^(e) (Note 11)	(1,418)
Total purchase consideration, represents consideration transferred for the business (Note 17)	14,855

(b) Effect on cash flows of the Group

	S\$'000
Cash paid (as above)	16,273
Less: Cash and cash equivalents in subsidiary acquired	(3,834)
Cash outflow on acquisition	12,439

(c) Identifiable assets acquired and liabilities assumed

	At fair value S\$'000
Property, plant and equipment ^(f) (Note 15)	60,380
Intangible assets: customer contract and related customer relationship ^(g) (Note 16)	1,698
Trade and other receivables ^(h)	1,783
Inventories	215
Cash and cash equivalents	3,834
Total assets	67,910
Trade and other payables	(41,064)
Current tax liabilities	(114)
Deferred tax liabilities (Note 23)	(3,249)
Total liabilities	(44,427)
Total identifiable net assets	23,483
Less: Non-controlling interest at fair value ⁽ⁱ⁾	(11,976)
Add: Goodwill ^(j) (Note 16)	3,348
Consideration transferred for the business	14,855

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Business combinations in the previous financial year (Continued)

(d) Acquisition-related costs

Total acquisition-related costs amounted to S\$501,000 which were included in general and administration expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows for the financial year ended 31 December 2015.

(e) Contingent considerations

Contingent considerations as at 31 December 2015 of S\$1,418,000 comprise net of profit guarantee of S\$2,244,000 from the vendors of PTMII, partially offset by renounced dividends S\$826,000 from the Group.

Profit Guarantee

The vendors of PTMII had provided a guarantee to the Group that PTMII will achieve an aggregate of approximately S\$17,300,000 (US\$12,245,000) Net Profit after Tax ("NPAT") over a 24-month period following completion date. The actual NPAT achieved will be compared against the targeted NPAT.

In the event that the targeted NPAT is not achieved, the vendors of PTMII are obliged to compensate the shortfall amount in cash based on its 49% ownership interest in PTMII.

The fair value of profit guarantee was estimated to be S\$2,244,000 as at valuation date after applying the bank prime lending rates as discount rate to the expected earn-out payment based on the financial forecast provided by PTMII.

For the financial year ended 31 December 2016, management has carried out a review of the fair value of the profit guarantee and the details are set out in Note 5.

Renounced dividends

The Group agreed to renounce its dividend entitlement to the vendors of PTMII when PTMII generates a cumulative NPAT of at least US\$3,000,000 and up to US\$6,000,000 in respect of the financial year ended 2016. The maximum possible payout for its 49% ownership interest is US\$3,000,000 in dividends declared.

In the event PTMII generates a cumulative NPAT of more than US\$6,000,000 in respect of the financial year ended 2016 and the total declared dividend are more than US\$3,000,000, the Company shall receive its dividend entitlement in excess of US\$3,000,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Business combinations in the previous financial year (Continued)

(e) Contingent considerations (Continued)

Renounced dividends (Continued)

The fair value of renounced dividends was estimated to be S\$826,000 as at valuation date after applying the bank prime lending rates as discount rate to the expected earn-out payment based on the financial forecast provided by PTMII.

For the financial year ended 31 December 2016, PTMII did not generate a NPAT of US\$3,000,000. Accordingly, the agreement to renounce the Group's dividend entitlement has lapsed and the Group recognised additional consideration of S\$826,000 in profit or loss (Note 5).

(f) Property, plant and equipment

The fair value of the property, plant and equipment acquired of S\$60,380,000 has been determined based on valuation report from the independent valuer by using replacement cost new method.

(g) Intangible assets

Acquired customer contract and related customer relationship

As at valuation date, PTMII had a material customer contract and the total expected revenue to be derived from the customer contract was approximately S\$36,500,000 (US\$26,640,000) over the next 5 years commencing in financial year 2016.

The fair value of customer contract was estimated to be S\$1,698,000 as at valuation date based on the multi-period excess earnings method ("MEEM").

This method measures present value of the future marginal economic benefits generated by the asset throughout its remaining useful life. To determine the value of customer contract, the expected operating cash flows from customer contract are considered.

After deducting the contributory asset charges that have been apportioned according to the revenue contributed by customer contract, the after-tax residual cash flows are subsequently discounted by an appropriate discount rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Business combinations in the previous financial year (Continued)

(h) Acquired receivables

Trade and other receivables acquired comprise gross trade and other receivables amounting to S\$1,783,000, which approximated their fair value. It was expected that full contractual amount of the receivables could be collected.

(i) Non-controlling interest

The Group recognised the 51% non-controlling interest based on PTMII's identifiable net assets at its fair value of S\$11,976,000 as at the acquisition date.

(j) Goodwill

The goodwill of S\$3,348,000 arising from the acquisition was attributable to the assembled workforce and continuing operations of PTMII.

(k) Revenue and profit contribution

The acquired business contributed revenue of S\$1,525,000 and net loss of S\$437,000 to the Group for the period from 1 December 2015 to 31 December 2015.

Had the PTMII been consolidated from 1 January 2015, consolidated revenue and consolidated loss for the year ended 31 December 2015 would have been S\$13,079,000 and S\$1,637,000 respectively.

19. Available-for-sale financial assets

	Group	
	2016 S\$'000	2015 S\$'000
<u>Cost</u>		
Beginning of financial year	1,381	1,321
Reclassification from financial assets, at fair value through profit or loss	–	60
Additions	4	–
End of financial year	1,385	1,381
<u>Accumulated impairment</u>		
Beginning of financial year	1,366	1,321
Impairment loss (Note 6)	9	45
End of financial year	1,375	1,366
	10	15
Available-for-sale financial assets are analysed as follows:		
Quoted equities	10	15
End of financial year	10	15

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Trade and other payables

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Current				
Trade payables				
– Non-related parties	542	2,209	–	–
Advances from customers	–	460	–	–
Other payables				
– Non-related parties	6,880	6,204	5	–
– Related parties ⁽ⁱ⁾	4	2,079	–	–
Shareholders' loans ⁽ⁱⁱ⁾	5,965	117	–	–
Accrued staff cost	143	374	–	–
Accrued expenses	1,105	697	418	214
Accruals for directors' fee	125	123	125	123
Goods and services tax payable	79	9	7	–
Others	2	1	–	–
	14,845	12,273	555	337
Non-current				
Shareholders' loans ⁽ⁱⁱⁱ⁾	6,962	10,516	–	–
Post-employment benefit obligation	65	4	–	–
	7,027	10,520	–	–
Total	21,872	22,793	555	337

Trade payables to non-related parties are non-interest bearing and are normally settled within 30 to 90 days (2015: 30 to 90 days).

- (i) Other payables to related parties pertain to advances payable to non-controlling interests of subsidiaries which are unsecured, interest-free and repayable on demand.
- (ii) Current shareholders' loans are unsecured, bear interest at rates ranging from 1.25% to 2% (2015: 1.25% to 2%) per annum and are repayable within 3 months.
- (iii) Non-current shareholders' loans pertain to loan payable to non-controlling interest of PTMII which is repayable after one year of the balance sheet date and approximates its fair value, and subject to terms and conditions summarised as follows:
 - (a) the loan amounts are to be utilised by PTMII to pay down its existing bank loans;
 - (b) interest is payable on the loans at (i) 0.25% above the six-month Singapore Interbank Offered Rate; or (ii) 2.0%, whichever is lower, per annum;
 - (c) the loan amounts are expected to be repaid in full by PTMII by 2019; and
 - (d) the interest on the loans shall be repaid by PTMII to the respective lenders in arrears on or before each interest payment date, being the last day of each 12 months' period commencing on the date of the disbursement of the loan amounts to PTMII and each subsequent 12 months' period up to and including the date of full repayment of the loan amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. Finance lease liabilities

<u>Group</u>	Minimum lease payments 2016 S\$'000	Present value of minimum lease payments 2016 S\$'000	Minimum lease payments 2015 S\$'000	Present value of minimum lease payments 2015 S\$'000
Within one year	301	291	456	428
After one year but not more than five years	187	183	496	482
Total minimum lease payments	488	474	952	910
Less: Future finance charges	(14)	–	(42)	–
Present value of minimum lease payments	474	474	910	910

The present values of finance lease liabilities are analysed as follows:

	<u>Group</u>	
	2016 S\$'000	2015 S\$'000
Not later than one year	291	428
Between one and five years	183	482
Total	474	910

The effective interest rate ranges from 2.91% to 7.38% (2015: 2.49% to 8.86%) per annum. The above finance lease agreements are secured by a corporate guarantee from the Company. Certain finance leases are also secured by a personal guarantee from a director of a subsidiary.

The Group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Lease terms range from 1 year to 5 years and do not contain restrictions concerning dividends, additional debt or further leasing.

The fair value of non-current finance lease liabilities determined from cash flow analysis, discounted at market borrowing rate of an equivalent instrument of 4.5% per annum as at the end of the financial year is S\$179,000 (2015: S\$453,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. Bank borrowings

	Group	
	2016 S\$'000	2015 S\$'000
Current		
Bank borrowings (unsecured)	1,238	–
Bank borrowings (secured)	643	–
	1,881	–

Unsecured bank borrowings bear interest at rates ranging from 1.00% to 1.55% per annum as at 31 December 2016 and has been fully repaid on 25 January 2017. Secured bank borrowings bear interest at 11.5% per annum as at 31 December 2016.

The Company has secured the bank borrowings of its subsidiary as at 31 December 2016 through fixed deposits pledged with financial institutions (Note 14). These bank borrowings are also secured by a corporate guarantee provided by the Company.

The Group's bank borrowings are subject to covenant clauses, both financial and non-financial. The Group was in compliance with externally imposed capital requirements for the financial year ended 31 December 2016.

23. Deferred income tax liabilities

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Deferred income tax liabilities				
– To be settled within one year	2	241	–	–
– To be settled after one year	46	3,031	46	–
Balance at end of financial year	48	3,272	46	–

Movement in deferred income tax liabilities is as follows:

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Balance at beginning of financial year	3,272	65	–	–
Additions arising from acquisition of a subsidiary (Note 18)	–	3,249	–	–
Tax (credited)/charged to profit or loss (Note 9)	(3,223)	(19)	46	–
Currency translation differences	(1)	(23)	–	–
Balance at end of financial year	48	3,272	46	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. Deferred income tax liabilities (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

<u>Group</u>	Accelerated tax depreciation S\$'000	Fair value gains S\$'000	Total S\$'000
2016			
Balance at beginning of financial year	79	3,193	3,272
Tax (credited)/charged to profit or loss (Note 9)	(79)	(3,144)	(3,223)
Currency translation differences	–	(1)	(1)
Balance at end of financial year	–	48	48
2015			
Balance at beginning of financial year	65	–	65
Additions arising from acquisition of a subsidiary (Note 18)	–	3,249	3,249
Tax (credited)/charged to profit or loss (Note 9)	14	(33)	(19)
Currency translation differences	–	(23)	(23)
Balance at end of financial year	79	3,193	3,272
<u>Company</u>		Unremitted foreign income S\$'000	Total S\$'000
2016			
Balance at beginning of financial year		–	–
Tax charge to profit or loss		46	46
Balance at end of financial year		46	46
2015			
Balance at beginning of financial year		–	–
Tax charge to profit or loss		–	–
Balance at end of financial year		–	–

Deferred taxation is mainly attributable to the tax effect of the excess of the carrying amount over tax written down values of qualifying property, plant and equipment.

The deferred tax on temporary differences arising on acquisition is provided at 25% as per subsidiary's tax jurisdictions in Indonesia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. Share capital

	Group and Company No. of ordinary shares	S\$'000
Issued and fully paid:		
2016		
Beginning of financial year	38,671,830	29,575
Issuance of new shares	7,734,000	2,958
End of financial year	<u>46,405,830</u>	<u>32,533</u>
2015		
Beginning of financial year	386,721,035	29,575
Share consolidation	(348,049,205)	–
End of financial year	<u>38,671,830</u>	<u>29,575</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

On 27 November 2015, every ten existing ordinary shares of the Company were consolidated into one ordinary share ("Share Consolidation"). This results in a total of 386,721,035 existing shares being consolidated into 38,671,830 ordinary shares after disregarding any fractions or ordinary shares arising from the share consolidation.

On 31 October 2016, the Company completed the allotment and issue of an aggregate of 7,734,000 new ordinary shares at S\$0.3825 for each subscription share in the capital of the Company ("Subscription Shares") for cash to provide funds for the expansion of the Group's operations.

The movement in the number of warrants are as follows:

	Group	
	2016	2015
Beginning of financial year	7,733,986	77,341,207
Share consolidation exercise	–	(69,607,221)
End of financial year	<u>7,733,986</u>	<u>7,733,986</u>

In the previous financial year ended 31 December 2015, the share consolidation constitutes an event giving rise to warrant adjustment. 77,341,207 unexercised warrants were consolidated to 7,733,986 unexercised warrants after disregarding any fractions of warrants arising from the share consolidation. The exercise price of unexercised warrants was S\$0.34 at the date of issuance in year 2012. Following the share consolidation on 27 November 2015, the exercise price was changed to S\$3.40.

The remaining warrants rank pari passu in all respects with the previously issued shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Operating leases

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Operating lease expenses	<u>178</u>	<u>158</u>	<u>-</u>	<u>-</u>

The Group and the Company lease certain properties and warehouse under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The properties and warehouse leases have remaining terms of 1 to 2 years. Future minimum lease payments for all leases are as follows:

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Within one year	<u>187</u>	<u>146</u>	<u>-</u>	<u>-</u>
After one year but not more than five years	<u>203</u>	<u>39</u>	<u>-</u>	<u>-</u>
	<u>390</u>	<u>185</u>	<u>-</u>	<u>-</u>

26. Related party transactions

In addition to information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

- (i) Sales and purchases of goods and services:

	Group	
	2016 S\$'000	2015 S\$'000
Professional fees paid to a firm with a common director	-	14
Shareholders loans granted to subsidiaries	-	12,028
Accrued interest for shareholders loan granted to a subsidiary	240	15
Advances from non-controlling interest of subsidiaries	-	836
Repayment of advances to non-controlling interest of subsidiaries	<u>-</u>	<u>(1,032)</u>

Outstanding balances of the above related party transactions as at 31 December 2016 and 2015 are disclosed in Note 20 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. Related party transactions (Continued)

(ii) Key management personnel's compensation:

	Group	
	2016	2015
	S\$'000	S\$'000
Key management:		
<u>Directors</u>		
– fees	155	224
– wages and salaries	580	501
– employer's contributions to defined contribution plan	46	27
<u>Other key management</u>		
– wages and salaries	328	292
– employer's contributions to defined contribution plan	44	29

27. Segment information

Management has determined the operating segments based on the reports reviewed by management that are used to make strategic decisions. Management considers the business from business segment perspective and manages and monitors the business in three main business segments. These are trading & engineering, construction logistics and marine logistics. Management assesses the performance of the business segments based on sales, segment results, segment assets and segment liabilities.

- Inter-segment transactions are determined on terms agreed between the parties. The sales from external parties reported to management are measured in a manner consistent with that in the statement of comprehensive income.
- Management assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("EBITDA").
- The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than the Group's cash and bank balances.
- The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments. All liabilities are allocated to the reportable segments.
- Corporate comprises the costs of the Group functions not allocated to the three business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Segment information (Continued)

Business segments

	Trading & Engineering		Construction Logistics		Marine Logistics		Corporate		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment by Operations										
Sales to external parties	1,880	77	4,688	6,392	14,519	1,525	–	–	21,087	7,994
EBITDA	(339)	(140)	211	766	5,413	57	3,543	(1,438)	8,828	(755)
Impairment loss on property, plant and equipment	–	–	–	–	(20,052)	–	(10,577)	–	(30,629)	–
Impairment loss on goodwill	–	–	–	–	–	–	(3,423)	–	(3,423)	–
Impairment loss on intangible assets	–	–	–	–	–	–	(1,360)	–	(1,360)	–
Depreciation	(19)	(62)	(363)	(375)	(2,965)	(337)	–	–	(3,347)	(774)
Amortisation	–	–	–	–	(331)	(28)	–	–	(331)	(28)
EBITDA includes the following material expenses:										
– Subcontract cost	–	–	(1,569)	(3,443)	–	–	–	–	(1,569)	(3,443)
– Employee compensation (excluding directors)	(296)	(51)	(1,538)	(875)	(2,025)	(64)	(197)	(430)	(4,056)	(1,428)
Gross profit	17	21	1,082	889	2,162	(172)	–	–	3,261	738

Sales between segments are carried out at market terms. The revenue from external parties reported to management is measured in a manner consistent with that in the statement of comprehensive income.

Management assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (“EBITDA”) for continuing operations. This measurement basis excludes the effects of expenditure from the operating segments such as impairment loss that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Segment information (Continued)

Business segments (Continued)

	Trading & Engineering		Construction Logistics		Marine Logistics		Corporate		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment assets	1,426	181	2,918	3,641	34,808	63,440	4,497	4,742	43,649	72,004
Unallocated assets:										
Short-term deposits and bank balances									14,163	12,385
Total assets									57,812	84,389
Segment assets includes:										
– additions of property, plant and equipment	12	31	14	112	523	60,380	–	–	549	60,523
– additions of intangible assets	–	–	–	–	–	1,698	–	–	–	1,698
Segment liabilities	1,374	210	885	1,428	21,661	25,119	361	338	24,281	27,095

(a) Reconciliation of segment losses

A reconciliation of EBITDA to profit before tax is as follows:

	Group	
	2016 S\$'000	2015 S\$'000
EBITDA	8,828	(755)
Depreciation	(3,347)	(774)
Amortisation	(331)	(28)
Impairment	(35,412)	–
Interest Income	68	212
Finance Expense	(751)	(111)
Loss before tax	(30,945)	(1,456)

(b) Geographical information

The Group's three business segments operate in two main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are construction logistics as well as trading & engineering services which principally include the installation of industrial machinery and equipment; mechanical engineering works, excavation and earth moving works and general engineering works and investment holdings.
- Indonesia – the operations in this area are marine logistics services which is principally engaged in the provision of tug and barge freight logistics.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Segment information (Continued)

Business segments (Continued)

(b) Geographical information (Continued)

	Group	
	2016 S\$'000	2015 S\$'000
Revenue		
Singapore	6,568	6,469
Indonesia	14,519	1,525
	<u>21,087</u>	<u>7,994</u>

	Group	
	2016 S\$'000	2015 S\$'000
Non-current assets		
Singapore	1,645	2,107
Indonesia	30,035	66,030
	<u>31,680</u>	<u>68,137</u>

28. Financial risk management

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, price risk and currency risk), liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Interest rate risk

The Group has cash balances placed with creditworthy financial institutions. The Group manages its interest rate risks on its interest income by placing the cash balances in varying maturities and interest rate terms.

The Group obtains additional financing through shareholders' loan and leasing arrangements.

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank deposits, other payables and finance lease liabilities. The Company is exposed to interest rate risk through the impact of rate changes on interest-bearing bank deposits and amount due from a subsidiary. The Group's and the Company's policy is to manage its interest cost using a mix of fixed and variable rate. An interest rate movement of 0.5% will not have a substantial impact on the profit after tax of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group has investment in quoted equity shares. The market value of these investments will fluctuate with market conditions. Management is of the opinion that the exposure to market risk associated with these investments is not expected to be significant.

(iii) Currency risk

The Group operates in Singapore and Indonesia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United States Dollar ("USD") and Indonesia Rupiah ("IDR").

Currency risk arises both from a change in foreign exchange rate, which is expected to have an adverse effect on the Group in the current financial period and in future years.

The Group's currency exposure is as follows:

	Singapore Dollar S\$'000	United States Dollar S\$'000	Indonesia Rupiah S\$'000	Total S\$'000
At 31 December 2016				
Financial assets				
Cash and cash equivalents	9,699	3,520	944	14,163
Available-for-sale financial assets	10	–	–	10
Receivables from subsidiaries	7,956	26,893	–	34,849
Trade and other receivables	2,677	4,472	3,665	10,814
	<u>20,342</u>	<u>34,885</u>	<u>4,609</u>	<u>59,836</u>
Financial liabilities				
Trade and other payables	(1,079)	(17,126)	(3,667)	(21,872)
Finance lease liabilities	(474)	–	–	(474)
Bank borrowings	–	(1,238)	(643)	(1,881)
Payables to subsidiaries	(7,956)	(26,893)	–	(34,849)
	<u>(9,509)</u>	<u>(45,257)</u>	<u>(4,310)</u>	<u>(59,076)</u>
Net financial assets/(liabilities)	10,833	(10,372)	299	760
Net financial (assets)/liabilities denominated in the respective entities' functional currencies	<u>(10,833)</u>	<u>–</u>	<u>(248)</u>	<u>(11,081)</u>
Currency exposure on financial assets/(liabilities)	<u>–</u>	<u>(10,372)</u>	<u>51</u>	<u>(10,321)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

	Singapore Dollar S\$'000	United States Dollar S\$'000	Indonesia Rupiah S\$'000	Total S\$'000
At 31 December 2015				
Financial assets				
Cash and cash equivalents	10,594	1,271	520	12,385
Available-for-sale financial Assets	15	–	–	15
Receivables from subsidiaries	4,918	11,141	8	16,067
Trade and other receivables	1,626	1,418	1,757	4,801
	<u>17,153</u>	<u>13,830</u>	<u>2,285</u>	<u>33,268</u>
Financial liabilities				
Trade and other payables	(1,863)	(12,560)	(8,370)	(22,793)
Finance lease liabilities	(910)	–	–	(910)
Payables to subsidiaries	(4,918)	(11,141)	(8)	(16,067)
	<u>(7,691)</u>	<u>(23,701)</u>	<u>(8,378)</u>	<u>(39,770)</u>
Net financial assets/(liabilities)	9,462	(9,871)	(6,093)	(6,502)
Net financial (assets)/liabilities denominated in the respective entities' functional currencies	<u>(9,462)</u>	<u>12,588</u>	<u>–</u>	<u>3,126</u>
Currency exposure on financial assets/(liabilities)	<u>–</u>	<u>2,717</u>	<u>(6,093)</u>	<u>(3,376)</u>

The Company's currency exposure is as follows:

	Singapore Dollar S\$'000	United States Dollar S\$'000	Indonesia Rupiah S\$'000	Total S\$'000
At 31 December 2016				
Financial assets				
Cash and cash equivalents	7,922	3,515	–	11,437
Amount due from subsidiaries	7,956	8,193	–	16,149
Trade and other receivables	20	5,890	–	5,910
	<u>15,898</u>	<u>17,598</u>	<u>–</u>	<u>33,496</u>
Financial liabilities				
Amount due to subsidiaries	(6,252)	–	–	(6,252)
Trade and other payables	(505)	–	(50)	(555)
	<u>(6,757)</u>	<u>–</u>	<u>(50)</u>	<u>(6,807)</u>
Net financial assets/(liabilities)	9,141	17,598	(50)	26,689
Net financial assets denominated in the respective entities' functional currencies	<u>(9,141)</u>	<u>–</u>	<u>–</u>	<u>(9,141)</u>
Currency exposure on financial assets/(liabilities)	<u>–</u>	<u>17,598</u>	<u>(50)</u>	<u>17,548</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

	Singapore Dollar S\$'000	United States Dollar S\$'000	Indonesia Rupiah S\$'000	Total S\$'000
<u>At 31 December 2015</u>				
Financial assets				
Cash and cash equivalents	2,180	1,272	–	3,452
Amount due from subsidiaries	2,462	16,158	–	18,620
Trade and other receivables	4	1,418	–	1,422
	<u>4,646</u>	<u>18,848</u>	<u>–</u>	<u>23,494</u>
Financial liabilities				
Amount due to subsidiaries	1,066	–	1	1,067
Trade and other payables	337	–	–	337
	<u>1,403</u>	<u>–</u>	<u>1</u>	<u>1,404</u>
Net financial assets/(liabilities)	<u>3,243</u>	<u>18,848</u>	<u>(1)</u>	<u>22,090</u>
Net financial assets denominated in the respective entities' functional currencies	<u>(3,243)</u>	<u>–</u>	<u>–</u>	<u>(3,243)</u>
Currency exposure on financial assets/(liabilities)	<u>–</u>	<u>18,848</u>	<u>(1)</u>	<u>18,847</u>

Should the USD and IDR fluctuate against the SGD by 5% (2015:5%) and 4% (2015: 4%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial assets and liabilities position will be as follows:

	← Increase/(Decrease) →	
	2016	2015
	Profit after tax S\$'000	Profit after tax S\$'000
<u>Group</u>		
USD against SGD		
– strengthened	(519)	136
– weakened	519	(136)
IDR against SGD		
– strengthened	2	(244)
– weakened	(2)	244

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

	← Increase/(Decrease) →	
	2016	2015
	Profit after	Profit after
	tax	tax
	S\$'000	S\$'000
Company		
USD against SGD		
– strengthened	880	942
– weakened	(880)	(942)
IDR against SGD		
– strengthened	(2)	–
– weakened	2	–

(b) Liquidity risk

Liquidity risk management is carried out by the Group under policies approved by the board of directors. The Group adopts liquidity risks management policies which imply maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the Group's and of the Company's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year S\$'000	Between 2 and 5 years S\$'000
<u>Group</u>		
As at 31 December 2016		
Trade and other payables	14,845	7,027
Bank borrowings	1,889	–
Finance lease liabilities	301	187
As at 31 December 2015		
Trade and other payables	12,273	10,520
Finance lease liabilities	456	496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Financial risk management (Continued)

(b) Liquidity risk (Continued)

<u>Company</u>	Less than 1 year S\$'000	Between 2 and 5 years S\$'000
As at 31 December 2016		
Trade and other payables	555	–
Amount due to subsidiaries	<u>6,252</u>	<u>–</u>
As at 31 December 2015		
Trade and other payables	337	–
Amount due to subsidiaries	<u>1,067</u>	<u>–</u>

(c) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. As at 31 December 2016, 88% (2015: 59%) of trade receivables for the Group relate to amounts due from 10 (2015: 10) major customers. To mitigate credit risk, the Group manages concentration risk by performing credit analysis procedures to assess the potential customers' credit limits before offering credit term to any new customer. The credit terms to customers are reviewed periodically.

The Group places its cash and cash equivalents with creditworthy financial institutions which are regulated by a supervisory body.

The credit risk for trade receivables is as follows:

	Group	
	2016 S\$'000	2015 S\$'000
<u>By geographical areas</u>		
Singapore	2,411	1,607
Indonesia	<u>1,513</u>	<u>1,592</u>
	<u>3,924</u>	<u>3,199</u>

Trade receivables consists of receivables from non-related parties only.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Financial risk management (Continued)

(c) Credit risk (Continued)

(ii) Financial assets that are either past due or impaired

The age analysis of trade receivables – non-related parties past due but not impaired is as follows:

	Group	
	2016 S\$'000	2015 S\$'000
Past due 0 to 3 months	3,900	2,945
Past due 3 to 6 months	24	128
Past due over 6 months	–	126
	3,924	3,199

Carrying amount of trade receivables – non-related parties individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	Group	
	2016 S\$'000	2015 S\$'000
Gross amount	628	116
Less: Allowance for impairment	(628)	(116)
	–	–
Beginning of financial year	(116)	(205)
Allowance made/(writeback of allowance) (Note 8)	(521)	76
Amount written-off	9	13
End of financial year	(628)	(116)

Trade receivables that are individually determined to be impaired as at 31 December 2016 relates to receivables that were outstanding in excess of one year or when collection is known to be at risk and/or have defaulted in payments.

(d) Capital risk

The Group's capital structure consists of equity attributable to equity holders of the Company, comprising issued capital, retained earnings and reserve.

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain an efficient capital structure so as to enhance shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of the changes in economic conditions. To maintain or achieve a prudent and efficient capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Financial risk management (Continued)

(d) Capital risk (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables, less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group	
	2016	2015
	S\$'000	S\$'000
Net debt	10,064	11,318
Total equity	33,531	57,294
Total capital	43,595	68,612
Gearing ratio	23%	16%

The Group and the Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to enhance shareholders' value.

The Group and the Company are not subject to externally imposed capital requirements and the Group's overall objective in managing capital remains unchanged for the financial years ended 31 December 2016 and 31 December 2015.

(e) Fair values

Management has determined that the carrying amounts of current trade and other receivables, cash and cash equivalents, trade and other payables, finance lease liabilities, based on their notional amounts, are reasonable approximation of fair values either due to their short-term nature or they are floating rate instruments that are re-priced to market rates on or near the end of reporting period. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The following table presents the Group's assets measured at fair value and classified by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the assets either directly (as is prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the assets that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Financial risk management (Continued)

(e) Fair values (Continued)

2016

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000
<u>Assets</u>			
Available-for-sale financial assets	10	–	–

2015

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000
<u>Assets</u>			
Available-for-sale financial assets	15	–	–

The fair values of the available-for-sale financial assets and financial assets at fair value through profit or loss are based on quoted market prices at balance sheet date. The quoted market price used for these financial assets held by the Group is the current bid price. These instruments are included in Level 1.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Loans and receivables	24,977	17,186	33,496	23,494
Financial liabilities at amortised cost	24,227	23,703	6,807	1,404

29. Financial guarantees

The Company has given corporate guarantees up to S\$4,086,000 (2015: S\$2,659,000) to certain banks and financial institutions for credit facilities granted to the subsidiaries.

At the end of the financial year, the maximum amount the Company could become liable is as shown below:

	Company	
	2016 S\$'000	2015 S\$'000
Corporate guarantees	2,355	910

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Financial guarantees (Continued)

The management of the Company has evaluated the fair value of these corporate guarantees and it is of the view that the consequential fair value of the benefits derived from these guarantees to the banks and financial institutions with regard to the subsidiaries, is not significant and hence has not been recognised in the financial statements.

As at the end of the financial year, the Company was not required to fulfil any guarantee on the basis of default by the subsidiaries.

30. Proceeds from disposal of subsidiaries

On 30 August 2013, the Company entered into a conditional sale and purchase agreement ("Agreement") with KH Foges Pte Ltd, for the sale of the entire share capital of PSL Engineering Pte Ltd and Rotary Piling Pte Ltd, both of which were wholly owned subsidiaries of the Company. In 2014, an amount of S\$231,000 receivable arising from the divestment of subsidiaries was written off upon settlement of dispute. The Company received S\$4,370,000 during the financial year ended 31 December 2015, being the balance of consideration for the divestment of subsidiaries pursuant to the Agreement.

31. Prior year reclassification

Certain comparative figures have been reclassified for consistency with the presentation in the current year.

The following table sets out the prior year reclassifications made to the balance sheet as at 31 December 2015.

Balance Sheet (Company)

	As previously reported S\$'000	Reclassification S\$'000	Amount after reclassification S\$'000
At 31 December 2015			
Non-current assets			
Investments in subsidiaries	20,164	(1,418)	18,746
Trade and other receivables	–	1,418	1,418

The balance sheet as at 1 January 2015 is not presented as the acquisition of PT PTMII only took place on 25 November 2015 and hence, no impact to the balance sheet as at 1 January 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group does not expect the new guidance to have a significant impact on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

The Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. New or revised accounting standards and interpretations (Continued)

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

- FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$390,000 (Note 25). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

33. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of PSL Holdings Limited on 28 April 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 26 APRIL 2017

Class of shares	: Ordinary Shares
Voting rights	: One vote per Ordinary Share
No. of issued shares	: 46,405,830
No. of treasury shares	: Nil
No. of subsidiary holdings	: Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	334	16.23	3,850	0.01
100 - 1,000	439	21.33	259,084	0.56
1,001 - 10,000	1,009	49.03	4,035,715	8.69
10,001 - 1,000,000	268	13.02	17,874,899	38.52
1,000,001 AND ABOVE	8	0.39	24,232,282	52.22
TOTAL	2,058	100.00	46,405,830	100.00

SUBSTANTIAL SHAREHOLDER

(As recorded in the Register of Substantial Shareholders as at 26 April 2017)

	DIRECT INTEREST NO. OF SHARES	%	DEEMED INTEREST NO. OF SHARES	%
– SUMAN HADI NEGORO ⁽¹⁾	6,371,599	13.73	1,750,000	3.77
– MELDA VERONICA	5,002,500	10.78	–	–

(1) Suman Hadi Negoro's deemed interest arises from shares held in a nominee account.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SUMAN HADI NEGORO	6,371,599	13.73
2	MELDA VERONICA	5,002,500	10.78
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,929,969	8.47
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,242,575	4.83
5	ATAN	2,237,300	4.82
6	UOB KAY HIAN PRIVATE LIMITED	1,565,006	3.37
7	EDISON	1,547,000	3.33
8	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,336,333	2.88
9	TAN CHEE MENG OR SZE LAY PHENG	924,900	1.99
10	OCBC SECURITIES PRIVATE LIMITED	922,791	1.99
11	SEOW EE FUN YVONNE (XIAO YIFAN YVONNE)	773,500	1.67
12	CITIBANK NOMINEES SINGAPORE PTE LTD	628,800	1.36
13	NEO CHENG SOON	628,767	1.35
14	CHIANG CURRIE	550,000	1.19
15	CIMB SECURITIES (SINGAPORE) PTE. LTD.	542,761	1.17
16	KHOO KIM SOON ALICE	529,200	1.14
17	DBS NOMINEES (PRIVATE) LIMITED	371,829	0.80
18	SURI	370,700	0.80
19	GOH KIAN TAT (WU JIANDA)	308,500	0.66
20	CHENG CHUO FEI ALFRED	277,100	0.60
	TOTAL	31,061,130	66.93

Percentage of shareholdings in public hands

Based on Shareholders' Statistics and Distribution as at 26 April 2017, approximately 68.66% of the Company's shares are held in the hands of the public and therefore, Rule 723 of the Listing Manual of SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **PSL HOLDINGS LIMITED** (the “Company”) will be held at 37 Jalan Pemimpin #07-16 Mapex Singapore 577177 on 23 May 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Directors’ Statement and Independent Auditor’s Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Regulation 88 and 89 of the Company’s Constitution:

Mr Sucipto	(Retiring under Regulation 89)	(Resolution 2)
Ms Ng Yoke Chan	(Retiring under Regulation 88)	(Resolution 3)
Mr Tan Chee Tong	(Retiring under Regulation 88)	(Resolution 4)
Mr Stephen Leong, BBM	(Retiring under Regulation 88)	(Resolution 5)
Mr Eric Chew Yee Teck, PBM	(Retiring under Regulation 88)	(Resolution 6)

[See Explanatory Note (i)]

3. To note the retirement of Mr Wee Liang Hiam, retiring pursuant to Regulation 88 of the Company’s Constitution and who has decided not to stand for re-election.
4. To re-appoint Messrs PricewaterhouseCoopers LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. To approve the payment of Directors’ fees of S\$155,105 for the financial year ended 31 December 2016. **(Resolution 8)**
7. To approve the payment of Directors’ fees of S\$198,000 for the financial year ending 31 December 2017. **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING

8. Authority to allot and issue shares in the capital of the Company ("Shares") – Share Issue Mandate

"That, pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

- (A) (i) allot and issue shares in the capital of the Company (the "**Shares**") (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require the Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.

NOTICE OF ANNUAL GENERAL MEETING

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."

[See Explanatory Note (ii)]

(Resolution 10)

- 9. To transact any other business that may be transacted at an Annual General Meeting of which due notice shall have been given.

BY ORDER OF THE BOARD

Gwendolyn Gn Jong Yuh
Company Secretary
Singapore, 8 May 2017

Notes:

- 1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("AGM"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.
- 2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
- 3. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **37 Jalan Pemimpin #07-16 Mapex Singapore 577177** not less than **72 hours** before the time set for the AGM.
- 4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
- 5. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Explanatory Notes:-

- (i) Key information on Mr Sucipto can be found on page 8 and page 20 of the Annual Report 2016. He is a brother of Mr Suman Hadi Negoro, a controlling shareholder of the Company.

Key information on Ms Ng Yoke Chan can be found on page 8 and page 20 of the Annual Report 2016. There are no relationships (including immediate family relationship) between Ms Ng Yoke Chan and the other Directors of the Company or its shareholders.

Key information on Mr Tan Chee Tong can be found on page 8 and page 20 of the Annual Report 2016. There are no relationships (including immediate family relationship) between Mr Tan Chee Tong and the other Directors of the Company or its shareholders.

Key information on Mr Stephen Leong, BBM can be found on page 8 and page 20 of the Annual Report 2016. There are no relationships (including immediate family relationship) between Mr Stephen Leong, BBM and the other Directors of the Company or its shareholders.

Key information on Mr Eric Chew Yee Teck, PBM can be found on page 9 and page 20 of the Annual Report 2016. There are no relationships (including immediate family relationship) between Mr Eric Chew Yee Teck, PBM and the other Directors of the Company or its shareholders.

Mr Eric Chew Yee Teck, PBM will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit Committee. Mr Eric Chew Yee Teck, PBM is considered independent for the purpose of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited.

- (ii) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

PSL HOLDINGS LIMITED

Company Registration No. 199707022K

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("CPF Investors"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

PERSONAL DATA PROTECTION ACT CONSENT

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms and set out in the Notice of Annual General Meeting dated 8 May 2017.

I/We, _____ (name)

of _____ (address)

being a member/members* of **PSL Holdings Limited** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her*, the Chairman of the AGM as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting ("AGM") of the Company to be held at 37 Jalan Pemimpin #07-16 Mapex Singapore 577177 on 23 May 2017 at 10.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	Ordinary Resolutions relating to:	For [#]	Against [#]
1.	Adoption of the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' Statement and Independent Auditor's Report		
2.	Re-election of Mr Sucipto as a Director of the Company		
3.	Re-election of Ms Ng Yoke Chan as a Director of the Company		
4.	Re-election of Mr Tan Chee Tong as a Director of the Company		
5.	Re-election of Mr Stephen Leong, BBM, as a Director of the Company		
6.	Re-election of Mr Eric Chew Yee Teck, PBM, as a Director of the Company		
7.	Re-appointment of PricewaterhouseCoopers LLP as the Company's Auditors and to authorise the Directors to fix their remuneration		
8.	Approval of Directors' fees amounting to S\$155,105 for the financial year ended 31 December 2016		
9.	Approval of Directors' fees amounting to S\$198,000 for the financial year ending 31 December 2017		
10.	Authority to allot and issue new shares		

* Delete Accordingly

If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.

Dated this _____ day of _____ 2017

Total Number of Shares Held

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the “Act”), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting (“AGM”). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **37 Jalan Pemimpin #07-16 Mapex Singapore 577177**, not less than **72 hours** before the time set for the AGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

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