

RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

The Board of Directors of PSL Holdings Limited (the "**Company**" or "**PSL**") refers to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX**") in its email dated 21 November 2017 and would like to provide further information in relation to the Company's announcement titled "Unaudited Financial Statements and Related Announcement for the Third Quarter Ended 30 September 2017" dated 10 November 2017 (the "**Announcement**").

SGX Query 1:

It was noted that trade receivables amounted to S\$3.4 million as at 30 September 2017 while revenue for 3Q2017 amounted to only S\$1.7 million. Please provide:

- (a) aging schedule (in blocks of 3 months with no open-ended period) for trade receivables as at 30 September 2017; and
- (b) reasons for the significant trade receivables which exceeds the revenue in 3Q2017.

Company's response to Query 1:

- (a) Please refer to the schedule below for trade receivables as at 30 September 2017:

	July – September '17	April – June '17	January – March '17	October – December '16	July – September '16
S\$'000	1,278	1,920	65	35	65

- (b) The Group has acquired PT Indah Perkasa Abadi ("**PT IPA**") in 3Q'2017 and accordingly, has consequently consolidated the outstanding receivables held by PT IPA prior to acquisition.

SGX Query 2:

It was noted that deposits amounted to S\$1.3 million as at 30 September 2017. Please disclose:

- (a) the nature of and the underlying transactions for these deposits; and
- (b) reasons for an increase in the deposits of S\$1.0 million to S\$1.3 million as at 30 September 2017.

Company's response to Query 2:

- (a) S\$0.9 million pertains to advance payment to vendor and S\$0.2 million pertains to security deposits to the bank paid by the Construction Logistics segment. The remaining deposits pertain largely to office rental and professional fees deposits paid by the Group.

- (b) The Group has acquired PT IPA in 3Q2017 and accordingly, has consequently consolidated the deposits paid by PT IPA prior to acquisition.

SGX Query 3:

It was disclosed on page 9 of the 3Q2017 Results Announcement that “PT MII has been deconsolidated from its marine logistics segment and has been re-classified its investment in PT MII as an “available-for-sale” asset with effect from 1 April 2017”.

- (a) Please explain the basis for the deconsolidation under accounting standards when the Company has 2 nominees on the board of directors of PT MII as disclosed in the Company's FY2016 results announcement dated 28 February 2017.
- (b) As the Group invested material amounts in PT MII, please separately disclose the financial statements of this deconsolidated subsidiary to enable the shareholders to track performance of the deconsolidated subsidiary.
- (c) Please disclose the profit guarantee status in relation to the acquisition of PT MII for FY2017 and FY2016.
- (d) It was noted in the Company's announcement dated 7 September 2017 that PT MII was fully impaired. Please disclose the basis for making such impairment.

Company's response to Query 3:

- (a) As announced by the Company on 18 January 2017 and 28 February 2017, the Company had on 18 January 2017 succeeded in its application before the High Court of Singapore for, among others, that Sudirman Kurniawan (“**Sudirman**”) and Angelo Fernandus 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 (the “**Nominees**”), and the Company's auditors have been granted access to PT MII's records on 20 February 2017. It was on this basis that PT MII was thus consolidated in the financial results of the Group for the full year ended 31 December 2016 and has also been consolidated in the financial results of the Group for the first quarter ended 31 March 2017.

However, despite the fact that the Company has appointed the Nominees to the board of directors of PT MII, the Company's requests to PT MII since May 2017 for the Nominees to be added as bank signatories of PT MII have not been acceded to.

Subsequently, as announced in the Company's announcement on 4 August 2017, the Company's Indonesian counsel received a memorandum of appeal (“**MOA**”) from the Riau High Court on 28 July 2017. The MOA related to Sudirman's appeal in the Riau High Court against the Batam district court's declaration on 17 May 2017 that, *inter alia*, it had no jurisdiction to hear the claim by Sudirman to declare that certain clauses of the SPA relating to the right of the Company to appoint directors to the board of PT MII are null and void.

Despite the fact that the Nominees are on the board of PT MII, the Company is of the opinion that in light of its inability to appoint the Nominees as bank signatories of PT MII, as well as Sudirman's continued resistance to the Company's right to appoint directors to the board of PT MII, (a) the Company does not have effective control and influence over PT MII and (b) the reliability of PT MII's accounts from 1 April 2017 onwards is in doubt.

In light of the foregoing, the Company has deconsolidated PT MII (and thus the Company's Marine Logistics segment) with effect from 1 April 2017 and has instead classified its investment in PT MII as an “available-for-sale asset with effect from 1 April 2017.

- (b) In the response to 3(a) above, the Company has stated that “the reliability of PT MII’s accounts from 1 April 2017 onwards is in doubt and the company does not have effective control and influence” as reasons for the deconsolidation.

The Company notes that as at the date of the Announcement, the Company is unable to verify the reliability of PT MII’s August 2017 management accounts as the management of PT MII has generally not been responsive or forthcoming in relation to the provision of PT MII’s management accounts to the Company, and the figures in the August 2017 management accounts do not take into consideration the impairment of the fair value of PT MII’s vessels, despite the Company’s attempts at communication with PT MII’s management in relation to this issue.

The financial information of PT MII’s accounts from 1 January 2017 to 31 August 2017 as furnished by PT MII’s management is summarized as follows:

Summarised balance sheet as at 31 August 2017:

	<u>IDR’000</u>	<u>S\$’000</u>
<u>Current</u>		
Assets	79,832,929,169	8,131,688
Liabilities	(30,657,479,983)	(3,122,735)
Total net current assets	49,175,449,186	5,008,953
<u>Non-current</u>		
Assets	443,985,230,035	45,223,812
Liabilities	(319,763,260,413)	(32,570,709)
Total net non-current assets	124,221,969,622	12,653,103
Net assets	173,397,418,808	17,662,056

Summarised income statement from 1 January 2017 to 31 August 2017:

	<u>IDR’000</u>	<u>S\$’000</u>
Revenue	122,722,577,341	12,835,618
Profit before income tax	18,321,987,729	1,916,306
Income tax expense	(1,472,670,929)	(154,027)
Profit after tax	16,849,316,800	1,762,279

- (c) Since the demand for payment announced on 8 June 2017, the Company has commenced Suit 573 of 2017 in the High Court of Singapore for, amongst other things, the Company’s claim on the profit guarantee for the period of 1 January 2016 to 31 December 2016. This is the second suit commenced by the Company in relation to its claims on the profit guarantee under the Conditional Sale and Purchase Agreement.

Suit 1238 of 2016, which was commenced on 22 November 2016 in respect of, amongst other things, the Company’s claim on the profit guarantee for the period of 26 November 2015 to 31 December 2015, is currently still pending in the High Court of Singapore.

The High Court has fixed the trial for both suits to be heard together in July and August 2018.

Our lawyers advised that the dates fixed for trial in July and August 2018 were the earliest possible dates that may be obtained. Barring any material developments or unforeseen circumstances, the Company does not expect any major developments in the Court proceedings until the aforementioned trial dates.

- (d) The Management has considered that there is objective evidence that its investment in PT MII may be impaired at 31 December 2016 due to the following considerations and accordingly, had carried out an impairment testing of its investment in PTMII:
- (i) The business performance of PT MII has been below expectations;
 - (ii) PT MII had a five year freight charter agreement with Geo Coal International Pte. Ltd. with a contract value of approximately US\$33.0 million which did not materialise during FY2016 and had a significant adverse impact on the performance of PT MII;
 - (iii) Weak future profitability and bearish short-term business outlook of PT MII, including factors such as the deterioration in the economic environment for shipping industry; and
 - (iv) Significant decline in the market value of PT MII's vessels.

Based on the impairment testing carried out by Management, the entire cost of investment in PT MII has been fully impaired for the financial year ended 31 December 2016.

SGX Query 4:

In the PT MII Dispute with Mr Sudirman Kurniawan, the Company announced on 4 August 2017 that the Company plans to submit its counter-memorandum of appeal to the Riau High Court after consulting with its Indonesian counsel. Please provide an update on the progress of the case.

Company's response to Query 4:

The Company's counter-memorandum of appeal was submitted to the High Court of Riau on 5 October 2017. The decision by the High Court of Riau is currently pending.

SGX Query 5

In relation to the loans to PT MII of an aggregate of S\$13.3 million as at 30 September 2017, please provide an update on the collection from PT MII to-date. Please also disclose whether the Company has taken any legal action to reclaim the loans and update of court hearing, if applicable.

Company's response to Query 5:

The Company refers to its response to Query 3 of its announcement dated 1 November 2017. As of the date of this announcement, there has been no collection made on the US\$11.5 million loan (the "Purchaser Loan") from PT MII. The Company remains entitled to be paid in accordance with Clause 4.2 of the Shareholders' Deed of Agreement dated 25 November 2015. As at the date of this announcement, the Company continues to engage the board of directors of PT MII in discussions in respect of the repayment of the Purchaser Loan. The Company will have a more definite picture once the accounts of PT MII for financial year ending 31 December 2017 are confirmed.

SGX Query 6:

Please disclose if there is any variance between the actual results and the prospect statements set out in paragraph 10 of the Company's FY2016 results announcement dated 28 February 2017.

Company's response to Query 6:

There are no material variances or changes to the statements made in paragraph 10 of the Company's FY2016 results announcement dated 28 February 2017 and now.

**BY ORDER OF THE BOARD
PSL HOLDINGS LIMITED**

**Tan Cheang Shiong
Chief Executive Officer
23 November 2017**