

RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE COMPANY'S GLOBAL SETTLEMENT OF THE DISPUTES WITH INDONESIAN COUNTERPARTIES ANNOUNCEMENT RELEASED ON 10 DECEMBER 2018

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 3 January 2019 and would like to provide further information in relation to the Company's announcement titled "Global Settlement of the Disputes with Indonesian Counterparties" dated 10 December 2018.

Unless otherwise defined, all terms and references used in this announcement shall bear the same meaning ascribed to them in the Company's announcement dated 10 December 2018.

SGX Query 1:

The Company announced that it has on 10 December 2018 entered into a settlement agreement (the "Settlement Agreement") with Sudirman, Angelo, PT SSS, PT Triputra and PT MII in relation to the Proposed Settlement. On page 2 of the announcement, in relation to the Key Terms of the Settlement Agreement, the Company disclosed that "PT MII will transfer, and Sudirman and Angelo will procure that PT MII transfers, to PSL and/or its nominee(s), the Remaining PSL Vessels, as identified in Schedule 1 of this announcement, (and all components and equipment on board the Remaining PSL Vessels) (the "Proposed Vessels Transfer")". Please disclose the age and market value of these Remaining PSL Vessels.

Company's response to Query 1:

The Company sets out the built years, ages and market values of the Remaining PSL Vessels in the table below:

	Name of Vessel	Built	Resultant Age as of 2017 (Year of Valuation)	Value (SGD) – 2017*
1	Pacific 3001	2009	9 Year-old	S\$1.05 million
	Pacific One	2009	9 Year-old	S\$1.10 million
2	Momentum 03	2013	5 Year-old	S\$950,000/-
	Momentum 3003	2013	5 Year-old	S\$1.30 million
3	Momentum 06	2013	5 Year-old	S\$1.05 million
	Momentum 3006	2013	5 Year-old	S\$1.30 million
4	Momentum 07	2013	5 Year-old	S\$1.05 million
5	Momentum 10	2013	5 Year-old	S\$1.50 million
	Momentum 30010	2013	5 Year-old	S\$1.30 million
6	Momentum 11	2013	5 Year-old	S\$1.50 million
	Momentum 30011	2013	5 Year-old	S\$1.30 million
7	Momentum 12	2014	3 Year-old	S\$1.60 million
	Momentum 30012	2014	3 Year-old	S\$1.35 million

*Valuation performed by independent valuer, Ritchie & Bisset (Far East) Pte. Ltd. as disclosed in page. 7 of the announcement.

SGX Query 2:

Please disclose how much was invested into PT JSI, PT SSS, PT MII and the loans and advances to PT JSI and PSL Maritime Group in total to-date.

Company's response to Query 2:

The Company's former management invested US\$ 11.5 million (i.e. approximately S\$ 16 million) in November 2015 to acquire 49% of the shares in PT MII. Out of that sum of US\$ 11.5 million, US\$ 10.6 million was invested directly in PT MII and US\$ 0.9 million was invested in PT MII through PT JSI, a subsidiary of PSL Maritime Strategic. By the end of 2016, and as disclosed in PSL's audited financial statements for the financial year of 2016, the total investment of US\$ 11.5 million was fully impaired.

The Company through its former management also extended a loan of US\$ 11.5 million (i.e. approximately S\$ 16 million) to PT MII. As at 30 September 2018, PSL recorded an impairment of S\$ 2.8 million for the said loan, resulting in net loan receivables of S\$ 13.5 million from PT MII. Additionally, the Company has net receivables totaling S\$ 0.3 million from PT MII. With regard to PSL Maritime Strategic, it has net receivables totaling S\$10,000 from PT MII.

Separately, the Company's former management collateralized a fixed deposit amounting to S\$1 million to an Indonesian bank in favour of PT MII to secure PT MII's credit facility. The Company is in the process of withdrawing this fixed deposit pursuant to clause 9.1 of the Settlement Agreement.

SGX Query 3:

The Company also attached Schedule 2 – PSL Escrow Period Vessels, Schedule 3 – PSL Non-Escrow Period Vessels and Schedule 4 – Sunk Vessel. Please disclose the age and total market value of the vessels listed in each of Schedule 2, 3 and 4 and to whom will the title of these vessels belong as a result of the Settlement Agreement. Please explain how the Vessels were deemed to be "PSL Escrow Period Vessels" vs "PSL Non-Escrow Vessels"? To whom will the "PSL Escrow Period Vessels" and the "PSL Non-Escrow Vessels" belong after the completion of the Settlement Agreement?

Company's response to Query 3:

As disclosed in the announcement dated 19 April 2018 with respect to the term sheet, "Escrow Period" is defined as the period commencing on the date of the Term Sheet and ending on the date on which the Shareholder Approval is obtained, or such other time as may be agreed between the Parties.

"PSL Remaining Vessels" means the tug-and-barge vessels as identified in Schedule 1 to the Settlement Agreement in view of the sinking of Momentum 3007 (referred to in Schedule 4, which title has been returned to MII as per Settlement Agreement clause 5.29), which PSL will ultimately have title deeds over if shareholders approve. The PSL Remaining Vessels are made up of PSL Escrow Period Vessels and PSL Non-Escrow Period Vessels.

"PSL Escrow Period Vessels" means the 6 sets of tug-and-barge vessels in Schedule 2 which PSL and/or its nominees shall be entitled to exercise all rights of physical possession over the PSL Escrow Period Vessels as disclosed under page 4 of the announcement. They will belong to PSL after the completion of the Settlement Agreement.

"PSL Non-Escrow Period Vessel" means the sole set of tug-and-barge vessels in Schedule 3 which Sudirman and Angelo and/or their nominee(s) shall be entitled to exercise all rights of physical possession over only during the escrow period. They will ultimately belong to PSL after the completion of the Settlement Agreement.

The vessels were apportioned based on commercial negotiations between the Company and the counterparties to the Settlement Agreement. The age and total market value of vessels in Schedule 2 and 3 have been disclosed in the Company's reply to Question 1. As for the vessel in Schedule 4, its age and total market value is as follows:

	Name of Vessel	Built	Resultant Age as of 2017 (Year of Valuation)	Value (SGD) – 2017*
1	Momentum 3007	2016	1 Year-old	S\$1.60 million

*Valuation performed by independent valuer, Ritchie & Bisset (Far East) Pte. Ltd. as disclosed in page. 7 of the announcement.

SGX Query 4:

On page 3 of the announcement, in relation to the Termination of the Pre-Escrow Charterparties, the Company disclosed that "PT MII is obliged to pay the full revenue, charter hire, freight and/or proceeds of such Pre-Escrow Period Charterparties, earned and/or received from the commencement of the Escrow Period (which shall refer to the period commencing on the date of the Term Sheet and ending on the date on which Shareholder Approval is obtained, or such other time as may be agreed between the parties) into a new bank account to be opened in PT MII's name (the "PSL Escrow Period Account") until such Pre-Escrow Period Charterparties have been terminated". For the related vessels where these Charter revenue and proceeds accrue, are they listed in Schedule 1, 2, 3 or 4? Please elaborate on who will be entitled to the funds and proceeds in the PSL Escrow Period Account and the signatories for operating the PSL Escrow Period Account.

Company's response to Query 4:

The related vessels have been listed in Schedule 1, 2, 3 or 4. The charter revenue and proceeds are related to vessels listed in Schedule 2. The Company is entitled to any funds and proceeds which may be earned through the charter of the PSL Escrow Period Vessels, and which will be deposited in the PSL Escrow Period Account. The signatories to the PSL Escrow Period Account are PSL Representatives, Sjonanto Widjaja (Chief Financial Officer, "Sjonanto") and Angeline Yap Hui Mei (Group Financial Controller, "Angeline").

SGX Query 5:

PSL agreed that it shall not pursue any claims and/or enforce any legal rights against PT MII, Sudirman and Angelo in respect of any and all obligations that arise out of or in connection with, inter alia, (a) "the entry into and termination of the charterparties between PT MII and PT Armada Rock Kurania Transshipment dated 22 December 2015 and 1 January 2017 and (b) the entry into and termination of the contract of affreightment entered into between PT MII and Geo Coal International Pte Ltd dated 30 June 2015. Please provide the background and details of the contracts with PT Armada Rock Kurania Transshipment and Geo Coal International Pte Ltd and the reason why PSL is agreeing not to pursue claims relating to these parties.

Company's Response to Query 5:

It seems that the Company's former management's acquisition of a 49% stake in PT MII was because PT MII had purportedly entered into a contract of affreightment ("Geo Coal Contract") with Geo Coal International Pte Ltd ("Geo Coal") on 30 June 2015. Indeed, Mr Mark Zhou, the Company's former executive director, had an interview with 'The Edge' and it was indicated that PT MII had a five-year freight charter agreement – worth about US\$33 million and commencing in the month of the report, as reported in the attached 'The Edge' article (Appendix A) dated 11 January 2016. This was previously mentioned in the attached copy of 'NextInsight' article (Appendix B) dated 11 November 2015.

On 12 January 2016, Geo Coal wrote to PT MII to state that the Geo Coal Contract was 'subject to mutual consent by both owners and charterers' and that the Geo Coal Contract was not 'effective' at the date of the letter. PT MII replied on 27 January 2016 ("PT MII Letter") to disagree with Geo Coal's advice on 12 January 2016.

With the above disagreements between PSL and Geo Coal, the then management replaced the coal transshipment contract dated 1 January 2017 with PT Armada Rock Karunia Transshipment ("PT ARK Contract").

Further to the PT MII Letter dated 27 January 2016, there was no record of any further correspondence between PT MII and Geo Coal relating to the Geo Coal Contract or any followed up action by PT MII, the then management and Sudirman to ascertain the status of the Geo Coal Contract in light of Geo Coal's statement that the Geo Coal Contract was not effective as at 12 January 2016.

After almost 2 years of protracted negotiation, the Company was compelled by time, costs and commercial constraints to make a commercial decision to settle its litigations with PT MII, Sudirman, and Angelo in respect of any and all obligations. It was a *quid pro quo* of this commercial settlement that the Company accepted not to pursue claims that arise out of or in connection with:

- a) the entry into the Pre-Escrow Period Charterparties;
- b) the termination of the Pre-Escrow Period Charterparties;
- c) the entry into and termination of the charterparties entered into between PT MII and PT Armada Rock Karunia Transshipment dated 22 December 2015 and 1 January 2017; and
- d) the entry into and termination of the contract of affreightment entered into between PT MII and Geo Coal International Pte Ltd dated 30 June 2015 (the "Geo Coal Contract").

SGX Query 6:

On page 4 of the announcement, for the duration of the Escrow Period, Sudirman and Angelo shall be entitled to exercise all rights of physical possession over the vessel identified in Schedule 3 and "5 of the 12 sets of tug-and barge vessels owned by PT MII which are not the PSL Vessels (the "Remaining Escrow Period Vessels")". Please:

- a. Explain elaborate where in the 4 Schedules are these 5 of the 12 vessels listed;
- b. Please explain why the Remaining Escrow Period Vessels will not be transferred to PSL;
- c. Disclose what are these ships and the value and age of these ships as compared to the rest; and
- d. Disclose how much the Remaining Escrow Period Vessels were valued at the time of PSL's acquisition.

Company's Response to Query 6:

- a. As explained in the Company's reply to Question 3, Schedule 3 sets out the PSL Non-Escrow Period Vessels. The 5 of the 12 vessels have not been disclosed as Sudirman/ Angelo will ultimately be the beneficial owners of these vessels upon the conclusion of the settlement between the parties. Please refer to part (d) for the list of Remaining Escrow Period Vessel.
- b. This is part of the global settlement between the parties and takes into account that Sudirman and Angelo extended a loan of approximately US\$ 8.5 million to PT MII.
- c. Please refer to table below.
- d. Please refer to table below.

	Name of Vessel	Built	Resultant Age as of 2017 (Year of Valuation)	Value (SGD) – 2017*	Value (USD) - PSL Acquisition**
1	Pacific 3002	2009	9 Year-old	1.05 million	2.70 million
	Pacific Two	2009	9 Year-old	1.10 million	2.33 million
2	Momentum 05	2013	5 Year-old	0.95 million	1.57 million
	Momentum	2013	5 Year-old	1.30 million	2.05 million

	3005				
3	Momentum 08	2013	5 Year-old	1.05 million	1.57 million
	Momentum 3008	2013	5 Year-old	1.30 million	2.05 million
4	Momentum 09	2013	5 Year-old	1.05 million	1.57 million
	Momentum 3009	2013	5 Year-old	1.30 million	2.05 million
5	Momentum 30013	2014	3 Year-old	1.35 million	1.90 million
	Momentum 13	2014	3 Year-old	1.60 million	1.73 million

*Valuation performed by independent valuer, Ritchie & Bisset (Far East) Pte. Ltd. on similar basis as disclosed in page 7 of announcement.

**Valuation performed by independent valuer, Censere Singapore Pte Ltd, as at 31 August 2015 as indicated in circular dated 3 November 2015, announced by the Company on 18 November 2015.

SGX Query 7:

The Company also disclosed that “Sudirman and Angelo shall be responsible for obtaining charterparties and/or contracts of affreightment for the PSL Non-Escrow Period Vessel and the Remaining Escrow Period Vessels and Sudirman and Angelo shall ensure that the full revenue, charter hire, freight and/or proceeds of such charterparties and/or contracts shall be paid into a new bank account to be opened in PT MII's name, of which Sudirman and Angelo are the joint authorised signatories”. Please:

- Explain why Sudirman and Angelo are the joint authorized signatories instead of the Company;
- Disclose how much did the Company pay and how much the Company will be receiving at termination; and
- As there is a profit guarantee given to PSL for the PT MII Acquisition Agreement, please quantify how much profit guarantee is owing to PSL and disclose how much of the profit guarantees will be paid to PSL on Settlement.

Company's Response to Query 7:

- The new bank account referred to was opened by Sudirman and Angelo to receive revenue, charter hire, freight, and/or proceeds of charterparties and/or contracts in respect of PSL Non-Escrow Period Vessel and the Remaining Escrow Period Vessels (i.e. the Sudirman and Angelo Escrow Period Account), where Sudirman and Angelo are entitled to receive the revenue in accordance with the settlement. It follows that Sudirman and Angelo should be the authorised signatories for that account. Sudirman and Angelo bear the costs of opening, maintaining, operating, and closing the Sudirman & Angelo Escrow Period Account.
- The Company has no financial liability in respect of the Sudirman and Angelo Escrow Period Account. The Company will not be entitled to receive any monies received in the Sudirman and Angelo Escrow Period Account upon the termination of the Settlement Agreement.
- Under Clause 4B.1 of the Conditional Sale and Purchase Agreement dated 17 March 2015 and entered into by the former management with Sudirman and Angelo, they guaranteed that PT MII would achieve a targeted Net Profit After Tax (“NPAT”) of US\$ 12.2 million (approximately S\$17.1 million) over a 24-month period following the completion of the acquisition on 25 November 2015. In the event the targeted NPAT is not met, Sudirman and Angelo were obliged to compensate PSL 49% of the difference between the actual NPAT and the targeted NPAT (i.e. the “Shortfall”) in cash.

PT MII did not achieve the targeted NPAT for the periods of (a) 26 November 2015 to 31 December 2015; and (b) 1 January 2016 to 31 January 2016. PSL then commenced HC/S

1238/2016 and HC/S 573/2017 claims against Sudirman and Angelo in respect of the Shortfall.

As disclosed in the Company's 2016 Annual Report announcement on 8 May 2017, the management has carried a review of the fair value of the profit guarantee at 31 December 2016 and the total amount of profit guarantee due from Sudirman and Angelo amounted to S\$5.9 million.

In light of the time, costs and expense that parties would have had to incur in the legal proceedings, parties eventually decided to enter into this global settlement to resolve all issues between them. As the settlement was reached on a global basis, it is not possible to specifically quantify and apportion part of the consideration from the global settlement as payment of the guaranteed profits.

SGX Query 8:

On page 5 of the announcement, the Company disclosed that "the Remaining PSL Vessels are physically docked, or otherwise situated, at a location in Batam to be nominated by Sudirman and/or Angelo". Please disclose:

- a. Who will bear the cost and expenses to relocate these vessels. Please quantify;
- b. Will Sudirman and Angelo will be paying the Company for taking over these vessels? If not, why;
- c. How old these vessels are compared to the vessels to be transferred to the Company; and
- d. The third party valuation attributable to these vessels compared to the vessels to be transferred to the Company.

Company's Response to Query 8:

- a. PSL will bear the cost and expenses to relocate these vessels, except for the costs and expenses of relocating the PSL Non-Escrow Period Vessel which will be borne by Sudirman and Angelo. These costs are estimated to be S\$3,200 per vessel per day.
- b. The Company will only be taking over possession of the PSL Non-Escrow Period Vessel and both Sudirman and Angelo will not be paying the Company for doing so. That was agreed between the parties as part of the global settlement of issues as the Company would benefit from taking over possession of the PSL Non-Escrow Period Vessel at the conclusion of the settlement, and both Sudirman and Angelo would have borne the costs relating to operation of the PSL Non-Escrow Period Vessel during the Escrow Period.
- c. Please refer to the replies to Question 1 and 6 above.
- d. Please refer to the reply to Question 6 above.

SGX Query 9:

The Company also disclosed that "PSL shall take all steps and bear all costs and expenses required to relocate the PSL Escrow Period Vessels". Please disclose:

- a. Where the PSL Escrow Period Vessels will be relocated;
- b. The costs of relocation;
- c. What are the plans of PSL in relation to these vessels?
- d. If there is any charterer identified.

Company's Response to Query 9:

- a. With reference to page 4 of the announcement, the PSL Escrow Period Vessels will be relocated to Batam.
- b. Please refer to the reply to Question 8a above.

- c. The Company plans to continue chartering the vessels to charterers.
- d. Yes, the Company has identified charterers but have not finalised the contracts.

SGX Query 10:

In relation to the “Sunk Vessel”, please disclose how was PSL’s share of the insurance claims decided?

Company’s Response to Query 10:

100% of the insurance payout was paid to the Company.

SGX Query 11:

The Company also disclosed that “PSL may, in its discretion and at its option, inform PT MII, Sudirman and Angelo by notice in writing that it intends to proceed to execute, complete and implement the Proposed Vessels Transfer to PSL and/or its nominee notwithstanding that the above conditions are not fulfilled. In such event, in respect of any costs and expenses arising out of or in connection with the preparation, negotiation, execution and implementation of the Proposed Vessels Transfer, PT MII shall only be liable for an amount not exceeding US\$50,000 in aggregate and PSL and/or its nominee(s) shall bear any remaining costs and expenses in respect of the same”. Please explain why the Company is required to bear the remaining costs and disclose what costs do these remaining costs and expenses refer to.

Company’s Response to Query 11:

It was mutually agreed that the transfer of the vessels should take place at Batam which is a free trade zone and that the vessels-receiving party should be domiciled in Batam. In that event, the parties will not incur any Indonesian regulatory taxes or costs for transfer of the vessel. If, however, PSL decides to have the vessels transfer (of vessels registered in Batam) take place in a place other than in Batam—and in so doing incur Indonesian regulatory taxes or costs for the transfer—PT MII’s liability for such costs will be capped at US\$ 50,000. Ostensibly, Sudirman, Angelo, and PT MII expressed their preference that the vessels transfer take place in Batam so that no additional Indonesian regulatory taxes or costs would be incurred—and more importantly, that they avoid the possibility of being saddled with any additional expenses. However, to retain the flexibility to determine where the vessels transfer should take place, the Company made the commercial decision to agree to cap PT MII’s liability if the vessels transfer were to take place outside of Batam so as to provide itself with the flexibility to determine where the vessels transfer should take place.

SGX Query 12:

The Company also disclosed that PT MII “shall execute the necessary documentation effecting the same prior to the Physical Transfer Date. The costs of preparing the said documentation shall be borne by PSL”.

- a. Please quantify the costs of preparing the said documentation.
- b. If the Settlement Agreement arises because of breaches caused by non-performance and acts of Sudirman and Angelo, please explain why the Company is bearing all the costs. In particular, since Sudirman and Angelo owes the Company S\$5.9 million for default in the profit shortfall guarantee under the sales and purchase agreement.

Company’s Response to Query 12:

- a. The Company estimates that the preparation of the documents (where necessary) to effect the assignment, novation, and/or transfer of any New PSL Charterparties (as that term is defined in clause 5.9 of the Settlement Agreement) to the Company and/or its nominee would cost approximately S\$ 5,000 (exclusive of disbursements and GST).

- b. As part of the Settlement Agreement, PT MII is required to enter into any New PSL Charterparties, and the Company would benefit from the charter hire earned from the New PSL Charterparties which were entered into by PT MII. It was agreed that the Company would bear the costs of preparing the documents to effect the assignment, novation, and/or transfer of any such New PSL Charterparties to the Company and/or its nominee.

SGX Query 13:

On page 6 of the announcement, the Company disclosed that “PSL, Sudirman and Angelo shall however be entitled to retain any dividends which PT MII may have declared during the Escrow Period and the PSL Shareholder Loan shall remain due and payable from PT MII on the terms set out under the Shareholders’ Deed”.

- a. Please disclose if any dividends will be declared by PT MII. Please quantify; and
- b. Please quantify the PSL Shareholder Loan. Please disclose how much has been repaid to-date and how much is still outstanding. What are the terms and interest rates on these loans? Please disclose if the interest has been repaid to-date?

Company’s Response to Query 13:

- a. Per Settlement Agreement Clause 5.10.6, PT MII shall, on the last day of every month, declare and pay a dividend to PT SSS of the PSL Account Monies which were earned by the PSL Escrow Period Vessels and paid into the PSL Escrow Period Account in the preceding month, less the PSL Escrow Period Expenses requested by PT MII pursuant to Clause 5.10.3 for the preceding month and any and all taxes payable (including withholding taxes) on the PSL Account Monies.

As of 9 January 2019, total amount net of the Approved PSL Escrow Period Vessels OPEX, shared expenses of PT MII and withholding tax to be formalised as dividends by PT MII was approximately IDR 2.7 billion which was credited into the Company’s Group Indonesia bank account.

- b. Pursuant to the acquisition of 49% of the entire issued and paid-up capital of PT MII which was announced by the Company’s former management and completed on 25 November 2015 (“Completion”), PSL entered into a Shareholders’ Loan Agreement of US\$11.5 million with PT MII on Completion (the “PSL Shareholder Loan”).

A summary of the terms of the PSL Shareholder Loan was announced by the Company on 25 November 2015, and is reproduced

- i) “the loan amount is to be utilised by PT MII to pay down its existing bank loans;
- ii) interest is payable on the loan at (i) 0.25% above the six-month Singapore Interbank Offered Rate; or (ii) 2.0%, whichever is lower, per annum;
- iii) the loan amount is to be repaid in full by PT MII to the respective lenders in accordance with the terms of the Shareholders’ Agreement entered into by the shareholders of PT MII as a condition precedent to Completion. Further details of such repayment of loans are set out in the Company’s announcement dated 3 August 2015 and the Company’s circular to shareholders dated 3 November 2015; and
- iv) the interest on the loans shall be repaid by PT MII to the respective lenders in arrears on or before each Interest Payment Date, being the last day of each twelve months’ period commencing on the date of the disbursement of the loan amount to PT MII and each subsequent twelve months’ period up to and including the date of full repayment of the loan amount.”

Out of the total interest of US\$0.41 million due from PT MII as at 31 December 2018, approximately US\$0.17 million has been received.

There was an impairment loss of US\$1.91 million recorded in profit or loss for the financial year ended 31 December 2016 as a result of the reasons stated below: -

- i) The business performance of PT MII was far below the projected profits stated in the Company's reply to Question 7c
- ii) PT MII failed to carry on the Geo Coal Contract defined in the Company's reply to Question 5
- iii) Future profitability and short-term business outlook of PT MII, including factors such as the deterioration in the economic environment for shipping and coal industry;
- iv) Significant decline in the market value of PT MII's vessels.

Apart from the above, the entire PSL Shareholder Loan of US\$9.59 million (the impaired amount) was not repaid to date, despite the litigation. It was thus considered to be in the Company's interests that this global settlement be reached.

SGX Query 14:

In relation to the Insurance Payment in respect of the Sunk Vessel, the Company disclosed that "The relevant parties have agreed that the Insurance Payment shall be approximately S\$0.75 million". Please disclose how much of the Insurance Payment has been claimed and when will the claims be paid.

Company's Response to Query 14:

The Company has received the insurance payout in the sum of IDR 8.35 billion (approximately S\$0.75 million based on an IDR10,638 to S\$1 exchange rate) on 12 December 2018. The Company understands that this is the full insurance payout under the relevant insurance policy covering the Sunk Vessel.

SGX Query 15:

In relation to the Consideration for the Proposed Vessels Transfer, the Company disclosed that "the global settlement pursuant to the Settlement Agreement, there is no specific apportionment of consideration for the Proposed Vessels Transfer under the Settlement Agreement". As this relates to a settlement, please explain why there is no apportionment of consideration and elaborate on the rationale.

Company's Response to Query 15:

The Proposed Vessels Transfer is part of a global settlement with PT MII, Sudirman, and Angelo and therefore no discussion of apportionment was made with the counterparties. However, the Company will perform its internal apportionment in consultation with Foo Kon Tan LLP (the Company's auditors) and disclose such information in the quarterly financial results and related announcement following completion of the settlement.

SGX Query 16:

The Company also disclosed that "the aggregate consideration for the Remaining PSL Vessels shall be deemed to be S\$17.10 million (the "Consideration"), being the aggregate of the present day market value under prevailing market conditions of the Remaining PSL Vessels pursuant to the Desktop Valuation Report (as defined below) and the Insurance Payment in respect of the Sunk Vessel". Please disclose:

- a. What are the assumptions used;
- b. How old are the vessels;

- c. Are these deemed values in line with transacted prices of similar vessels in the market transacted prices of similar uses in the market transacted rates published by ship brokers; and
- d. The aggregate consideration for the Remaining PSL Vessels is deemed as at which date and if it is the same value as at December 2018.

Company's Response to Query 16:

- a. Key assumptions are that (i) the vessels are in good working condition; (ii) the vessels are in sound seagoing condition; (iii) the hull and machinery of the vessels have valid certificates; and (iv) the vessels are free from all encumbrances.
- b. Please refer to the reply to Question 1.
- c. The Company understands that the independent valuer, Ritchie & Bisset (Far East) Pte. Ltd., based its valuation of the vessels on their present day market value under prevailing market conditions, the prompt charter-free delivery of the vessels, and the fact that they are equipped with valid statutory & classification certificates as at 30 November 2017. Based on the foregoing, the Company takes the position that the valuation is reasonable.
- d. When SGX approves the circular to the settlement, Ritchie & Bisset (Far East) Pte. Ltd. will most likely be the independent valuer to be appointed.

SGX Query 17:

In relation to the Rationale for the Proposed Vessels Transfer, the Company disclosed that "the Proposed Vessels Transfer would also augment PSL's ability to develop its business in its marine logistics pursuant to the transfer of the Remaining Vessels". Please elaborate:

- a. Who in the Company will lead this sector;
- b. What is the market experience of these key management and directors in this sector; and
- c. CV of these persons leading the management of these vessels and developing this marine logistic plan of the Company.

Company's Response to Query 17:

- a. The Chief Financial Officer of the Company in Indonesia, Sjonanto, will lead this sector. Operationally, he will be supported by his Indonesian operational team, including gradual recruitment of ship management executives to oversee operations of the Indonesian marine logistics businesses.
- b. Sjonanto has 40 years of experience in the areas of general management, business development, operations, mergers and acquisitions, and strategic planning. He has held senior management positions such as CFO, President Director, and Managing Director since 1992. He has diverse industry experience ranging from construction, beverage, textile, trading, education, and travel.
- c. The working experience and occupation during the past 10 years of Sjonanto has been announced by the Company on 17 December 2018.

SGX Query 18:

On page 7 of the announcement, the Company disclosed that "there is no open market value of the PSL Vessels". Please explain why there is no open market value for the PSL Vessels.

Company's Response to Query 18:

At the point of valuation, there was no recent transaction prices of vessels in similar sizes, conditions to be compared with. The Company accordingly needs to rely on independent valuer, Ritchie & Bisset (Far East) Pte. Ltd. 's valuation.

SGX Query 19:

The Company also disclosed “the Proposed Share Transfer is not expected to result in a material gain or loss on disposal of to the Group”. Please quantify the gain or loss on disposal.

Company’s Response to Query 19:

The net assets of PSL Maritime Strategic, as at 30 September 2018, is US\$10,000. The net loss on disposal is therefore approximately equivalent to the same amount, given that the consideration is S\$1.

SGX Query 20:

The Company also disclosed that “PSL shall not undertake any forensic or other investigation or audit into the matters of PT MII”. Please disclose:

- a. What are the concerns of the Company that led to the specific prohibition of the possibilities of a forensic or investigations or audits into matters of PT MII; and
- b. Are there are concerns of possible criminal breaches that the Company’s BOD is agreeing not to pursue through this Agreement.

Company’s Response to Query 20:

The Company currently does not have any specific concerns and—to the best of its knowledge and understanding—there may not be possible criminal breaches that the Company is aware of arising from or relating to PT MII.

Given that the Company will be relinquishing any stake in PT MII as part of the settlement, the Company did not see a need to have to do any forensic audit, or other investigation into the matters of PT MII, and was therefore prepared to agree to this as part of the global settlement.

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

**Stephen Leong, BBM
Vice Chairman and Executive Director
9 January 2019**



PSL buys stake in Indonesian barge owner moving coal for Geo Energy Resources

BY GWYNETH YEO |

PSL Holdings' latest attempt at jump-starting itself is the purchase of a 49% stake in an Indonesian company that will transport coal for Geo Energy Resources. In November, PSL's newly appointed CEO Mark Zhou sealed a US\$23 million (\$32.96 million) deal for a stake in Momentum Indonesia Investama. Momentum has a five-year freight charter agreement — worth about US\$33 million and commencing this month — with Geo Coal International, a unit of Geo Energy.

Zhou himself joined PSL from Geo Energy, and the deal with Momentum came about through a complicated web of his connections. From 2007 to 2009, Zhou had worked at the corporate finance division of Westcomb Capital. Among the deals he worked on there was a rights issue for PSL. In 2009, Zhou moved to Canaccord Genuity Singapore, where he was involved in the IPO of ship automation specialist **Nordic Group**. In 2013, Zhou moved to Geo Energy as chief investment officer. There, he became acquainted with Momentum's founder Sudirman Kurniawan, a long-time business partner of Geo Energy chairman Charles Antony Melati.

In early 2014, Nordic and its chairman Chang Yeh Hong each acquired a 7.76% stake in PSL with the intention of expanding into energy resources. PSL then signed a non-binding memorandum of understanding with Longmen Group to inject the latter's methane gas mining and production business into PSL. The Longmen acquisition did not materialise after the exclusivity period lapsed in October 2014. Chang then approached Zhou, seeking to offload his and Nordic's stakes in PSL. Zhou then roped in Sudirman, an existing shareholder of PSL. As at Dec 18, Sudirman and Zhou were the two single largest shareholders of PSL, with stakes of 7% and 3.5% respectively.

Now, PSL is paying Sudirman and another vendor, Angelo Fernandus, US\$11.5 million for their 49% stake in Momentum. PSL is also extending a purchaser loan of US\$11.5 million to Momentum. The two vendors have guaranteed that Momentum will achieve earnings

of US\$6 million over the next 24 months from the completion of the deal. Zhou says the transaction will give PSL a guaranteed return of 13% per annum. If Momentum's earnings fall short of the guaranteed amount, Sudirman and Fernandus will be required to pay the company compensation.

PSL has spent the last few years going through a protracted restructuring. In 2012, it sold its 80%-owned crane leasing business Antar Cranes for \$14.6 million. In 2013, it also divested loss-making units PSL Engineering and Rotary Piling, as well as a 50% interest in Civil Tech-PLS Joint Venture. On top of the Longmen deal, it had also tried unsuccessfully to buy coal mining company Sindo Resources in 2011. In 2014, several key members of management left the company. Amid the departures, Zhou was appointed a non-executive director on Dec 5 as he was deemed to have the qualifications and experience to assume the role. He was redesignated as executive director last January.

Currently, the company's core business is the provision of excavation and earth-moving works to condominium developments. It owns 21 dump trucks. It has some other trading and engineering operations too, which it is scaling down. In the third quarter of 2015, revenue declined 19.1% to \$1.9 million. Net losses, however, narrowed by 38.3% to \$328,000 on the absence of one-off expenses.

In spite of this dismal picture, however, PSL has \$40 million in cash on its books. That compares with a market capitalisation of \$20.5 million, based on PSL's Jan 5 closing price of 53 cents.

Why does Zhou think the purchase of Momentum is a good use of that cash?

"PSL has always been in the construction logistics business, so a natural extension of

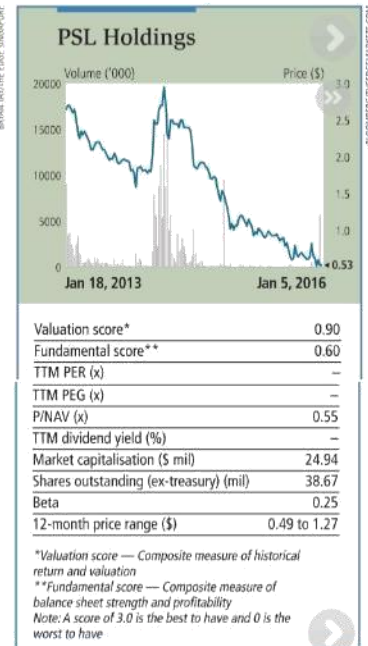


Zhou: PSL has always been in the construction logistics business, so a natural extension of the business was logistics but in the marine and offshore sector, to provide additional revenue streams

the business was logistics but in the marine and offshore sector, to provide additional revenue streams," he says. Momentum transports coal and other dry bulk cargo from jetties to power plants. Its fleet consists of 12 sets of tugs and barges, which have an average age of 2.5 years.

"The key thing for us was to look for a viable business that will yield a guaranteed return in this kind of climate," says Zhou, citing the current low crude oil price environment. "We'll be able to participate in the upside when oil prices and freight rates [rebound]." He notes also that Indonesia has announced an IDR313.5 trillion (\$32.25 billion) infrastructure budget as well as plans to develop power plants with a combined generation capacity of 35,000MW over the next five years.

Sudirman — in his role as an executive officer of PSL — will oversee the operations



of Momentum, allowing the latter's results to be consolidated with PSL's. International Financial Reporting Standards regulations allow revenues of associates to be consolidated if the parent has controlling rights over the former. As such, Zhou expects Momentum to represent about 60% of the enlarged group's revenue for FY2015. For FY2014, Momentum posted earnings of US\$254,425 on top of revenues of US\$9.7 million, and its vessels are currently fully booked until February.

"We have divested the [PSL] subsidiaries that have been loss-making, so right now, we are just focusing on good, nimble subsidiaries that will yield us good returns," Zhou says. He adds that PSL was already profitable in the first quarter of this year. "In the second and third quarters, we were loss-making mainly because of the professional fees for this acquisition."

APPENDIX B

NextInsight Article dated 11 November 2015



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PSL: Diversifying into Indonesian marine logistics business (/story-archive-mainmenu-60/927-2015/10389-psl-in-reverse-takeover-of-indonesian-coal-play)

Written by Leong Chan Teik

Published: 11 November 2015

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PSL HOLDINGS is sitting on about S\$44 m cash, including a US\$6 million deposit already paid for the purchase of a stake in an Indonesian business.

In comparison, its market cap stands at S\$24 million (based on a recent stock price of 6.1 cents).

US\$11.5 million of the cash pile will be put to good use if shareholder approval is secured next Wednesday (Nov 18) at an EGM.

PSL intends to purchase a 49% stake in an Indonesian marine logistics business, PT Momentum Indonesia Investama, which has net tangible assets as at March 2015 of US\$10 million.

Its relatively young fleet (average age: 3 years) of 12 sets of tugs and barges have been independently assessed to be worth US\$47.4 million as at Aug 2015.

Compared to their book value, there is scope for a revaluation surplus of about US\$17 million.

Investama will come with a personal guarantee (by the two Investama vendors) of US\$3.0 million in annualised net profit attributable to PSL Holdings for two 12-month

SHARE PRICES

Counter Name	Last	Change
AEM (http://finance.yahoo.com/q?s=AWX.SI)	2.390	↑ 0.010
\$ Alliance Mineral (http://finance.yahoo.com/q?s=40F.SI)	0.300	-
AusGroup^ (http://finance.yahoo.com/q?s=5GJ.SI)	0.050	-
Avi-Tech (http://finance.yahoo.com/q?s=BKY.SI)	0.450	-
Best World (http://finance.yahoo.com/q?s=CGN.SI)	1.320	↓ 0.010
China Sunline (http://finance.yahoo.com/q?s=CH8.SI)	0.800	-
CWG Intl (http://finance.yahoo.com/q?s=ACW.SI)	0.156	↓ 0.002
Dutech (http://finance.yahoo.com/q?s=CZ4.SI)	0.455	-
Federal Int (http://finance.yahoo.com/q?s=BDU.SI)	0.390	-
Food Empire (http://finance.yahoo.com/q?s=F03.SI)	0.650	-
Geo Energy Res (http://finance.yahoo.com/q?s=RE4.SI)	0.245	-
Golden Energy (http://finance.yahoo.com/q?s=AUE.SI)	0.380	-
\$ GSS Energy (http://finance.yahoo.com/q?s=41F.SI)	0.173	↑ 0.003
Heeton (http://finance.yahoo.com/q?s=HEET.SI)	0.470	-
\$ ISOTeam (http://finance.yahoo.com/q?s=5WVF.SI)	0.335	-

periods following the completion of the sale and purchase of the 49% stake.

The guarantee implies that Investama is expected to achieve at least US\$6 million a year in net profit.

This looks daunting considering that Investama reported only US\$254,425 in profit for FY2014 and US\$384,114 in FY2013.

However, following the completion of PSL's purchase, there will be substantial finance cost savings (US\$1.5 million in FY2014) for Investama as its entire debt will be paid down via the following ways:

* Of the US\$11.5 million payable to the two Investama vendors, US\$8.5 million will be used to pay down the company's debt; ie, the vendors extend a shareholder loan to their company;

* PSL will also extend a shareholder loan of US\$11.5 million to Investama for clearing the remaining debt.

What should be clear now is that Investama is over-leveraged but has a positive cashflow business. PSL, on the other hand, has a diminishing operating business but loads of cash. The two are coming together to ride an expected wave of business in Indonesia.

Given the US\$3 million a year profit guarantee, the return on PSL's US\$23 m purchase consideration and shareholder loan can be said to be 13% p.a., according to Mark Zhou, an executive director of PSL Holdings.

Aside from finance cost savings, Investama's profitability will get a boost from January 2016 as it has secured a five-year freight charter agreement with Geo Coal International Pte. Ltd. with a contract value of US\$33 million.

Asked about the impact of the current weakness in coal prices,



Photo by Sim Kih

After two years as chief investment officer at Geo Energy Resources, Mark Zhou, 32, (photo) was appointed an executive director of PSL Holdings in Jan 2015.

He is the only executive director in PSL, which effectively makes him the CEO -- a position he is expected to be appointed to after the completion of the purchase of a 49% stake in PT Momentum Indonesia Investama.

He and his team have been working on structuring a deal to buy into Investama.

This is to reflate PSL's business performance from next year, reversing two consecutive years of losses (assuming FY15 will end in the red).

PSL has shed a few subsidiaries from its legacy business in the construction sector and now operates a scaled down operation which the group intends to hold on to.



Sudirman Kurniawan, 47, will run the daily operations of Investama. Photo: Company

KSH	0.915	-
(http://finance.yahoo.com/q?s=ER0.SI)		
Lian Beng	0.625	↑ 0.015
(http://finance.yahoo.com/q?s=L03.SI)		
\$ Miyoshi	0.073	↑ 0.001
(http://finance.yahoo.com/q?s=M03.SI)		
Nordic	0.395	↑ 0.010
(http://finance.yahoo.com/q?s=MR7.SI)		
Oxley	0.570	-
(http://finance.yahoo.com/q?s=5UX.SI)		
\$ Rex Intl	0.047	↑ 0.001
(http://finance.yahoo.com/q?s=5WH.SI)		
Riverstone	1.070	↑ 0.020
(http://finance.yahoo.com/q?s=AP4.SI)		
Roxy-Pacific	0.520	-
(http://finance.yahoo.com/q?s=E8Z.SI)		
Sunningdale Tech	1.870	-
(http://finance.yahoo.com/q?s=BHQ.SI)		
Serial System	0.176	-
(http://finance.yahoo.com/q?s=S69.SI)		
Sino Grandness	0.235	-
(http://finance.yahoo.com/q?s=T4B.SI)		
Straco	0.870	-
(http://finance.yahoo.com/q?s=S85.SI)		
Sunpower	0.680	-
(http://finance.yahoo.com/q?s=5GD.SI)		
Tiong Seng	0.330	-
(http://finance.yahoo.com/q?s=BF1.SI)		
\$ Trendlines	0.148	↑ 0.005
(http://finance.yahoo.com/q?s=42T.SI)		
Uni-Asia Grp	1.325	↑ 0.005
(http://finance.yahoo.com/q?s=CHJ.SI)		
XMH	0.255	-
(http://finance.yahoo.com/q?s=BQF.SI)		
Yamada Green Res	0.435	↓ 0.060
(http://finance.yahoo.com/q?s=BJV.SI)		
YZJ Shipbldg SGD	1.265	↑ 0.010
(http://finance.yahoo.com/q?s=BS6.SI)		

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Mr Zhou told *NextInsight* that domestic demand has actually been strong, so coal prices for domestic sale have fetched better prices than coal for export.

At any rate, coal prices have little direct impact on Investama, as it makes money from providing transport for coal and this is largely done from a jetty to a power plant or to a mother vessel.

Going forward, Investama's financial performance will be fully consolidated into PSL Holdings, which will have day-to-day control of the operations.

Investama's operations will be headed by one of the share vendors, Mr Sudirman Kumiawan, 47, whose stake in Investama will be reduced to 10.20%.

He will become an executive officer of PSL where, interestingly, he is the No.1 shareholder with a 7.03% stake -- a stake which largely came from share purchases he made in 2014.

The financial adviser to PSL, Tata Capital Markets, said in a circular to PSL shareholders that it is of the view that the proposed acquisition "is on normal commercial terms and is not prejudicial to the interest of the company and its shareholders."

Growth prospects of Indonesian marine logistics business



Investama's 12 sets of tugs and barges are valued at US\$47.4 million. *Photo: Company*

Investama operates in Indonesian waters, transporting coal for its customers who are from the coal mining industry.

The volume of coal for domestic transportation looks set to rise. PSL's circular to shareholders cites the following factors:

1) The Energy and Mineral Resources Ministry (ESDM) of Indonesia expects the country's coal consumption by the industrial sector to recover in 2015.

2) Domestic coal consumption was targeted at 95.55 million tons in 2014. Of these, 85% were to meet the demand of the state electricity company while 15% was allocated to industrial sector.

The government will reduce coal export allocation while coal domestic obligation will be increased from 22% in the current year to 60% of coal production in 2019.

3) President Joko Widodo has launched an initiative to build power plants in Indonesia with an aggregate output of 35,000 MW within his five-year term. This is an 87.5% growth in Indonesia's current power production capacity of 40,000 MW per annum.

The initiative will result in a corresponding increase in domestic coal consumption.

4) Complementary industries such as the cement industry, which are heavily reliant on coal for power in its production processes, will continue to spur demand for coal.

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