

RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE COMPANY'S NON-BINDING MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF 80% EQUITY INTEREST IN PT. BUANA PERKASA SUKSES ANNOUNCEMENT RELEASED ON 5 JULY 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 11 July 2018 and would like to provide further information in relation to the Company's announcement dated 5 July 2018 titled "Non-Binding MOU: Proposed Acquisition of 80% Equity Interest in Pt. Buana Perkasa Sukses" (the "**Previous Announcement**").

SGX Query 1:

On 5 July 2018, the Company announced that PSL Commodities Indonesia, a 99% indirect subsidiary of the Company, has entered into a non-binding memorandum of undertaking ("**MOU**") with Mr. Rusdi Arifin (the "**Seller**") in relation to the proposed acquisition of 400 shares (the "**Sale Shares**") in PT. Buana Perkasa Sukses (the "**Target Company**") representing 80% of the entire share capital of the Target Company (the "**Proposed Acquisition**"). Please disclose:

- i. Details of Mr. Rusdi Arifin's track record and Curriculum Vitae; and
- ii. Who owns the remaining 20% of the entire share capital of the Target Company.

Company's response to Query 1:

- i. Mr. Rusdi Arifin currently holds:
 - (a) 80% equity interest in PT. Citra Pratama Globalindo, an Indonesian company which engages in the supply of construction materials, agricultural food and beverages and provides land transportation services;
 - (b) 25% equity interest in PT. Pilar Bukit Bangsa, an Indonesian company which operates a stone mining business;
 - (c) 35% equity interest in PT. Sriwijaya Buana Lestari, an Indonesian company which operates a trucking transportation business.

Mr. Rusdi Arifin was employed as a sales manager in PT. Riau Food from May 2011 to October 2017.

- ii. The remaining 20% of the share capital of the Target Company is held by the Seller (Mr. Rusdi Arifin) and Mr. Feri Sapry in the following proportions:

Shareholder	Number of Shares in the Target Company	Shareholding Percentage
Mr. Rusdi Arifin	95 shares	19%
Mr. Feri Sapry	5 shares ⁽¹⁾	1%

Note:

- (1) It was disclosed in the Previous Announcement that Mr. Aga Tarov Yadev is the holder of 5 shares representing 1% of the share capital of the Target Company. The Company wishes to clarify that Mr. Aga Tarov Yadev had transferred his entire equity interest in the Target Company to Mr. Feri Sapry on 6 June 2018. Accordingly, Mr. Aga Tarov Yadev has ceased to be a shareholder of the Target Company and Mr. Feri Sapry currently holds 5 shares representing 1% of the share capital of the Target Company.

SGX Query 2:

In relation to the "Target Company", please:

- i. Disclose when the Target Company was incorporated in Indonesia;
- ii. Quantify the size of the coal trading activities and whether it is operating at profit or loss; and
- iii. Provide details on the coal trading business:
 - a. Location of the business operation;
 - b. Who are the customers;
 - c. Who are the suppliers; and
 - d. Does it currently and/or is it intended for the Target Company to sell coal back to associates of the Seller or his related parties. If so, please provide further details.

Company's response to Query 2:

- i. The Target Company was incorporated on 10 March 2005 in Indonesia.
- ii. The coal trading business carried out by the Target Company is profitable. Based on the unaudited financial accounts of the Target Company for the financial year ended 31 December 2017, the Target Company had a revenue of Rp. 22.7 billion (S\$2.2 million) and operating profits of Rp. 1.7 billion (S\$0.2 million). Based on the unaudited 4-months management accounts of the Target Company for the financial period ended 30 April 2018, the Target Company had a revenue of Rp. 21.5 billion (S\$2.1 million) and operating profits of Rp. 1.0 billion (S\$0.1 million).

The Singapore dollar equivalent amounts provided above are based on the exchange rate of S\$1: Rp.10,400.

- iii. Details on the coal trading business:
 - a. The Target Company carries out its coal trading business in Indonesia.
 - b. The major customers of the Target Company include the Sungai Budi Group, CV Panca Sukes Makmur, PT Sinar Prima Sejahtera, PT Bara Pagmer Jaya, CV Sumber Karya and PT PLN Batubara (a subsidiary of state-owned utilities firm, PT Perusahaan Listrik Negara).
 - c. The main supplier of the Target Company is PT Golden Great Borneo ("PT GGB"). The majority ultimate beneficial interest in PT GGB is held by Salina who is the half-sister of Mr Suman Hadi Negoro, a substantial shareholder of the Company. The other suppliers of the Target Company include PT Menambang Muara Enim and PT Duta Alam Semesta.
 - d. The Company does not currently intend for the Target Company to sell coal back to the associates of the Seller or his related parties following the completion of the Proposed Acquisition.

SGX Query 3:

Provide details on Aga Tarov Yadev and explain why this individual is holding 1% of the share capital of the Target Company.

Company's response to Query 3:

As clarified in the Company's response to Query 2 above, Mr. Feri Sapry owns 5 shares in the Target Company representing 1% of the share capital of the Target Company. Mr. Feri Sapry is an Indonesian citizen. He is currently a Commissioner of PT. Bintang Cemerlang Sentosa, which operates a container handling business and a Director of the Target Company. He is also a Commissioner and shareholder of PT. Logistik Alam Semesta, which operates a coal transportation business, and is a shareholder of PT. Samudra Malaka Perkasa, which operates an offshore sand mining business.

Mr. Feri Sapry will remain as a minority shareholder in the Target Company following the completion of the Proposed Acquisition in order to fulfil equity requirements under Indonesian law which requires a minimum of 2 local shareholders.

SGX Query 4:

In relation to the "Rationale for the Proposed Acquisition", the Company disclosed that "the Proposed Acquisition is also aligned with the Company's commitment to concentrate its operations in Indonesia". Please elaborate on the size and customer base of Target Company and how this will help align to the Company's strategy.

Company's response to Query 4:

The Company is of the view that there is potential in the coal sector and is optimistic that demand for energy will increase as more people move to cities for greater economic opportunity, modern amenities and access to education, and that coal will continue as a critical enabler of development and will continue as the fuel of choice for the rapidly urbanising and industrialising economies of this diverse continent. Coal is widely used in electricity generation for urban and industrial uses such as steel production, cement manufacturing and as liquid fuel. Accordingly, coal is expected to remain a key energy resource due to its abundance and relatively easy and low-cost extraction compared to other energy resources.

Indonesia plays an important role in supplying coal to Asia's emerging countries, and is a leading exporter to India and China. Indonesia's coal exports consist of medium-quality coal (5,100 to 6,100 kcal) and low-quality coal (below 5,100 kcal). Indonesia has more than 80 years of coal reserves based on the current rate of production⁽¹⁾. High growth countries in Asia such as South Korea, Vietnam and Philippines, where coal-fired capacity is seen growing the fastest is expected to provide the growing demand for Indonesia's coal.

Furthermore, the Indonesian government is aiming to increase coal use in its energy mix by 2025. Coal has increased its role in Indonesia's total power generation capacity significantly, from 9.75 GW in 2005 to 27.2 GW at the end of 2015, or approximately 50% of the total power capacity in Indonesia. Indonesia's electricity demand is expected to grow and from 2015 to 2019, coal projects are projected to dominate the Indonesian government's electricity development programme with another 25.8 GW of capacity to be added over the period⁽¹⁾.

In light of the above, the Company is of the view that the Proposed Acquisition of a coal trading business is aligned to the Company's strategy as described above. Please refer to the Company's response to Query 2 above for further details on the size and customer base of the Target Company.

Note:

(1) This information is derived from the website of KGI Securities Co. Ltd. at https://www.kgiworld.sg/docs/securities/Geo%20Energy%20Resources_Company%20Update_BUY_KGI%20Securities%20170911.pdf, accessed on the date of this announcement.

SGX Query 5:

In relation to the "Principal Terms of the MOU", the Company disclosed that "the Purchaser will acquire, and the Seller will sell, the Sale Shares at a consideration to be agreed between the parties based on valuations to be conducted on the Target Company". Please disclose:

- i. When will the valuation be undertaken;
- ii. Who will be appointing the valuer;
- iii. Who is the valuer that will be appointed;
- iv. Whether the company intends to appoint an accredited valuer performing a valuation that must comply with International Valuation Standards;

- v. Please disclose the track record of the valuer to be appointed; and
- vi. Methodology of the valuation to be undertaken.

Company's response to Query 5:

- i. The valuation will be conducted on the Target Company after legal, financial and tax review has been conducted on the Target Company to the satisfaction of the Company.
- ii. The valuer will be appointed by the Purchaser, with the agreement of the Seller.
- iii. The valuer has not yet been appointed. The Company will make the appropriate announcement when the valuer has been appointed by the Purchaser.
- iv. The Purchaser intends to appoint an accredited valuer performing a valuation that must comply with International Valuation Standards.
- v. The Company will make the appropriate announcement, including information on the track record of the valuer, when the valuer has been appointed by the Purchaser.
- vi. The Company will make the appropriate announcement, including the methodology of the valuation to be undertaken, when the valuer has been appointed by the Purchaser and the valuation on the Target Company is completed.

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

**Tan Cheang Shiong
Chief Executive Officer
13 July 2018**