
RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 5 September 2017 and would like to provide further information in relation to the Company's unaudited financial statements for the second quarter ended 30 June 2017.

SGX Queries:

We refer to the Second Quarter and/or Half Yearly Results Financial Statements released by PSL Holdings Limited on 10 August 2017 (the "**Financial Statements**").

1. Please elaborate on the "Amounts due from related corporation" under current assets and non-current assets, amounting to S\$4.3 million and S\$9.1 million respectively, including but not limited to, the identity of the corporation and the details of the underlying transaction(s).
2. Please elaborate on the "Profit guarantee due from vendors" amounting to S\$5.9 million, including but not limited to, the identity of the vendors, the details of the underlying transaction(s), and when payment is expected.
3. Please explain whether the "Shareholders' loans" under current liabilities and non-current liabilities, amounting to S\$6.0 million and S\$7.0 million respectively, have been repaid, and provide further details on the identity of the shareholders, the terms of the loans, and the Audit Committee's opinion on whether these were undertaken at arm's length and on normal commercial terms.
4. It was disclosed on page 8 that "the Company has deconsolidated PT MII" and "has instead classified its investment in PT MII as an "available-for-sale" asset". Noting that "Available-for-sale financial assets" amounted to S\$6,000, please elaborate on how PT MII has been accounted for as an "available-for-sale" asset".
5. It was disclosed on page 9 that "the Company does not have effective control over PT MII". Please disclose the steps that the board and management are taking to regain control over PT MII.
6. It was disclosed on page 9 that other income had increased "due to recognition of loan interest income from PT MII". Please explain why the Company has not recalled the loan from PT MII, given the non-cooperation by PT MII's management.
7. Please provide further details on the loan extended to PT MII, including but not limited to, the terms of the loan, the outstanding balance, and the Audit Committee's opinion on whether the loan was undertaken at arm's length and on normal commercial terms.

Company's Response:

1. The underlying transaction relates to the shareholders' loan provided by the former management of PSL to PT MII in accordance to the Loan Agreement dated 25 November 2015 entered into by PSL and PT MII.
2. In accordance to the Conditional Sale and Purchase Agreement ("**CSPA**") dated 17 March 2015 and the Supplemental Sale and Purchase Agreement dated 3 August 2015 entered into by PSL for the purchase of 49% of the entire issued and paid-up capital of PT MII from Sudirman Kurniawan and Angelo Fernandus (hereinafter referred to as "**Vendors**"), the Vendors guaranteed that PT MII will achieve an aggregate profit 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 completion of the acquisition by PSL's former management.

Based on the NPAT achieved, the guaranteed profit from November 2015 to November 2017, financial forecasts and targeted NPAT of PT MII for the remaining periods within the guaranteed period, the estimated fair value of the profit guarantee amounted to S\$5.9 million.

PSL's lawyers have demanded for the Vendors' payment of the guaranteed profits in the region of S\$4 million for the period of November 2015 to December 2016 as announced on 8 June 2017, a subject of appeal by the Vendors.

3. Pursuant to the acquisition by the Company of approximately 49% of the entire issued and paid-up capital of PT MII which was completed on 25 November 2015 ("**Completion**"), the Vendors entered into a shareholders' loan agreement of US\$8,500,000 with PT MII on Completion (the "**Vendors' Loan**"). A summary of the terms of the Vendors' Loan was announced by the Company on 25 November 2015, and is reproduced below:
 - (a) the loan amount is to be utilised by PT MII to pay down its existing bank loans;
 - (b) 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;
 - (c) the loan amount is to be repaid in full by PT MII to the Vendors 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 (the "**Circular**"); and
 - (d) 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.

The Vendors' Loan has not yet been repaid. The decrease noted as of 30 June 2017 as compared to 31 December 2016 was due to the deconsolidation of the Marine Logistics segment, PT MII.

Angelo Fernandus and Sudirman Kurniawan are both shareholders of PT MII, and Sudirman Kurniawan is also a director of PT MII and an executive officer of the Company. Further details of the Vendors are set out in the circular dated 3 November 2015.

The Audit Committee at the time the Vendors Loan was entered into was of the opinion that the Vendors Loan was undertaken at arm's length and on normal commercial terms.

4. The "available-for-sale" financial asset of S\$6,000 in fact refers to quoted equities held by one of our wholly-owned subsidiaries, PSL Metal Pte. Ltd. The carrying value of the Company's investment in PT MII as at 30 June 2017 is nil as PSL has fully impaired the cost of investment for the financial year ended 31 December 2016.

The basis for PT MII to be regarded as an "available-for-sale" asset is explained in Paragraph 8 of the Company's unaudited financial statements for the second quarter ended 30 June 2017.

5. On 22 November 2016, the Company commenced Suit 1238 of 2016 in the High Court of Singapore for:

- (a) an injunction that Mr Sudirman Kunirwan and Mr Angelo Fernandus be prohibited from appointing any person(s) to the Board of Directors of PT MII not nominated by the Company such as to cause the Company to lose “control” over PT MII as defined in the Singapore Financial Reporting Standards 110; and
- (b) further and/or in the alternative, an injunction compelling Mr Sudirman Kunirwan and Mr Angelo Fernandus to appoint such person(s) to the Board of Directors of PT MII as nominated by the Company, so as to enable the Company to establish “control” over PT MII as defined in the Singapore Financial Reporting Standards 110.

On 18 January 2017, the Company successfully obtained the abovementioned injunctions pending trial of the action or further order by the Court. Trial of the action has been fixed for hearing in July and August 2018.

On 21 February 2017, the Company appointed two nominees to the Board of Directors of PT MII. The Company intends to write to the PT MII to request that its two nominees be added as joint bank signatories of PT MII.

As to the proceedings before the Batam District Court, the Company’s Indonesian counsel intend to file a Memorandum of Counter-Appeal to the Riau High Court, in response to Mr Sudirman Kurniawan’s appeal to the Riau High Court filed on 24 May 2017.

6. For PwC to finalise the Company’s FY2016 accounts, it required and was furnished the Company’s undertaking to provide financial support to PT MII for the financial year ending 31 December 2017.

The loan extended by the Company to PT MII is to be repaid in accordance with the repayment mechanism set out at Clause 4 of the Shareholders’ Deed of Agreement dated 25 November 2015 (“**Shareholders’ Deed**”).

Clause 4.1 of the Shareholders’ Deed provides that there will be a restriction of dividends until such time that PT MII has generated a cumulative NPAT of at least US\$3 million (“**Dividend Profit Target**”). Once the Dividend Profit Target is achieved, the aggregate profit amount of US\$3 million will be used to repay the loan. Any repayment of the outstanding loan balance will be repaid in accordance with Clause 4.2.

Clause 4.2 of the Shareholders’ Deed provides *inter alia* that any available profits generated in the financial years subsequent to the financial year ending 31 December 2016 shall be used by PT MII to repay *inter alia* the loan extended by the Company to PT MII.

The Company intends to obtain repayment of the loan in accordance with Clause 4.2 of the Shareholders’ Deed.”

7. Pursuant to Completion, the Company entered into a shareholders’ loan agreement of Pursuant to Completion, the Company entered into a shareholders’ loan agreement of US\$11,500,000 with PT MII on Completion (the “**Purchaser Loan**”). The terms and conditions of the Purchaser Loan and the Vendors’ Loan are materially the same. A summary of the terms of the Purchaser Loan was announced by the Company on 25 November 2015, and is reproduced below:

- (a) the loan amount is to be utilised by PT MII to pay down its existing bank loans;
- (b) 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;
- (c) 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

- (d) 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.

The entire Purchaser Loan due to the Company has not yet been repaid.

The Audit Committee at the time the Purchaser Loan was entered into was of the opinion that the Purchaser Loan was undertaken at arm's length and on normal commercial terms.

Current management is considering the merits/costs to appoint special auditors to report on issues relating to former management's purchase of the 49% shares in PT MII from the Vendors along with ascertaining if the Purchaser Loan was at arm's length basis and in accordance with normal commercial terms.

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

**Tan Cheang Shiong
Chief Executive Officer
7 September 2017**