
RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE FULL YEAR ENDED 31 DECEMBER 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 22 March 2018 and would like to provide further information in relation to the Company's announcement titled "Unaudited Financial Statements and Related Announcement for the Fourth Quarter Ended 31 December 2017" dated 1 March 2018 (the "**Announcement**").

SGX Query 1:

On page 10 of the Full Year FY2017 the Company disclosed that "Current management continues to conduct its internal inquiries and evaluations into the commercial merits and/or costs of appointing special auditors to report on issues relating to former management's purchase of the 49% shares in PTMII from Sudirman and Angelo along with ascertaining if the US\$11.5 million loan from the Company to PTMII was at arm's length basis and in accordance with normal commercial terms." This consideration had been announced previously since 7 September 2017. As the US\$11.5 million loan, the interest payable on the loan and the default of the Vendors guarantee 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 is very material to the Company, please disclose:

- (i) Why the AC did not deem the appointment of special auditor to be necessary;
- (ii) Why the AC is allowing management to conduct the internal inquiries into the commercial merits of appointing the special auditors as this matters is under the terms of reference of the AC.
- (iii) What is holding the AC back from making the appointment, noting that the amount at stake is very significant to PSL and the Company has cash of \$11 million on its balance sheet as at 31 Dec 2017, which is sufficient to fund investigations.

Company's response to Query 1:

The Company is in an advanced stage of negotiation with Mr Sudirman Kurniawan and Mr Angelo Fernandus (the "Vendors") to reach a justifiable commercial settlement of all outstanding disputes relating to the Conditional Sale and Purchase Agreement dated 17 March 2015 and the Supplemental Sale and Purchase Agreement dated 3 August 2015 (collectively, the "CSPA").

The successful settlement and resolution of the disputes between the parties may obviate the need to appoint special auditors to investigate into the circumstances relating to the CSPA, and the issue of whether the Vendors/PT MII have adhered to the agreed terms and conditions. In light of the foregoing, and to save substantial time and legal costs, the Audit Committee ("AC") has held back on appointing special auditors and has left it to the current management to oversee the ongoing negotiations which commenced sometime in May 2017 with Mr Kurniawan and Mr Fernandus.

As it stands, the Company is working closely with its lawyers to review the latest proposed settlement terms that it received from Mr Kurniawan and Mr Fernandus on 20 March 2018. The Company has also called for an urgent board meeting on 23 March 2018 to consider the same.

However, if parties fail to settle their outstanding disputes or if, for some reason or another, the AC subsequently takes the view that the appointment of special auditors may be required, the AC will reconsider the matter and proceed with the appointment.

SGX Query 2:

On page 10 of the Full Year FY2017 results, the Company disclosed that “Other income decreased by S\$4.3 million or 91% mainly due to revaluation of profit guarantee due from vendors and lapse of renounced dividend, and this was offset by a marginal decrease in interest income due to deconsolidation of PTMII results.” Please provide details and identity of the vendors and the party that “renounced dividend” and elaborate on the circumstance and implication of the “lapse of renounced dividend”.

Company’s response to Query 2:

Reference is made to Note 5 of the Company’s 2016 Annual Report dated 28 April 2017. The Vendors in this case refer to Mr Sudirman Kurniawan and Mr Angelo Fernandus.

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.

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.

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

**Tan Cheang Shiong
Chief Executive Officer
23 March 2018**