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**RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE COMPANY'S RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE COMPANY'S GLOBAL SETTLEMENT OF THE DISPUTES WITH INDONESIAN COUNTERPARTIES ANNOUNCEMENT RELEASED ON 9 JANUARY 2019**

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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-ST**") in its email dated 15 January 2019 and would like to provide further information in relation to the Company's announcement titled "Responses to the 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" dated 9 January 2019.

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 9 January 2019.

**SGX Query 1:**

**In the Company's response on 9 January 2019 to Query 2 of SGX Queries on loans and advances extended by PSL to the PT MII Group which will be included in the Global Settlement of the Disputes with Indonesian Counterparties, the Company disclosed that the former management of PSL had collateralized a S\$1 million deposit to an Indonesian bank and the Company is in the process of withdrawing this fixed deposit pursuant to clause 9.1 of the Settlement Agreement. Please provide a monthly updates on the progress of the withdrawal and the receipt of the funds by PSL.**

The Company's Former Management deposited SGD 1 million in March 2016 as collateral for PTMII to borrow for its working capital. The deposit has been withdrawn with interest on 8 January 2019 from PT Bank Danamon Indonesia, Tbk.

**In the Company's response to SGX-ST's Query 3, in relation to the Sunk Vessel, Momentum 3007 (referred to in Schedule 4), the Company disclosed that its "title has been returned to MII as per Settlement Agreement clause 5.29), which PSL will ultimately have title deeds over if shareholders approve". Please disclose:**

- a. Why the title has been returned to MII as per Settlement Agreement clause 5.29 and reconcile this with the statement "PSL will ultimately have title deeds over if shareholders approve". Disclose details of Settlement Agreement clause 5.29**

Under the Term Sheet dated 16 April 2018, parties had agreed that PT MII would transfer to PSL 7 tug-and-barge vessels upon Shareholder Approval being obtained. It was further agreed that the original copies of the unencumbered title deeds to these 7 tug-and-barge vessels would be delivered by PT MII to PSL's solicitors to hold in escrow until Shareholder Approval is obtained, or such other time as may be agreed between parties. This included the title deed to Momentum 3007.

Before parties could finalise the Settlement Agreement which would give effect to (among other things) the vessels transfer, Momentum 3007 sunk. Parties then negotiated for PSL to receive the Insurance Payment in lieu of the delivery of Momentum 3007. Since PSL had agreed to receive the Insurance Payment in lieu of the delivery of Momentum 3007, there was no reason for PSL to continue to retain the title deed to Momentum 3007.

PSL therefore agreed to clause 5.29 of the Settlement Agreement, which states:

“PSL shall instruct the PSL Lawyers to return to PT MII the original copy of the unencumbered title deed for Momentum 3007 within 14 days of receiving the Insurance Payment (if any) and/or the outcome of the insurance claim(s) relating to or in connection with the sinking of Momentum 3007. If the Insurance Payment (if any) is received by PSL in tranches, PSL shall instruct the PSL Lawyers to return to PT MII the original copy of the unencumbered title deed for Momentum 3007 within 14 days of receiving the last tranche of the Insurance Payment. In this regard, PSL shall indemnify PT MII against all liabilities, costs, expenses, damages and losses suffered or incurred by PT MII arising out of or in connection with any loss, theft, damage, or destruction of the original copy of the unencumbered title deed for Momentum 3007 when the said document is in transit.”

**b. The status of this sunken vessel;**

After verification with the insurers of Momentum 3007, our Indonesia Country CEO has confirmed that the sunken vessel can't be repaired and classified as total loss. The insurer has thus paid the Insurance Payment on this basis.

**c. Whether this sunken vessel can be used again after repair;**

As disclosed in (b) above.

**d. When did this vessel sink; and**

As disclosed in the announcement by the Company on 7 August 2018, Momentum 3007 sunk on 3 August 2018.

**e. Whether the value of \$1.6 million is valued post the sinking and before repairs?**

As disclosed in the Announcement by the Company on 10 December 2018, the desktop Valuation Report dated 30 November 2017 by Ritchie & Bisset (Far East) Pte. Ltd. indicative value of S\$1.6 million was prior to sinking of the vessel on 3 August 2018 and not applicable to any repair.

**f. Please disclose costs of repairs.**

As disclosed in (e) above.

**SGX Query 2:**

**The Company responded in Query 3, that Schedule 3 sets out the PSL Non-Escrow Period Vessels which will ultimately belong to PSL. However, on page 4 of the Company's announcement of 10 December 2018, the Company disclosed that Sudirman and Angelo are entitled to exercise all rights of physical possessions over these vessels identified in Schedule 3. If the rights of the vessels in Schedule 3 belong to PSL, please explain why Sudirman and Angelo are entitled to exercise all rights of physical possessions over these vessels.**

Schedule 3 referred to 1 set of tug-and-barge which was defined in the Term Sheet and the Settlement Agreement as the “PSL Non-Escrow Period Vessel”.

Under the terms of the Term Sheet and the Settlement Agreement, PT MII would allocate 7 sets of tug-and-barge vessels (i.e. the PSL Escrow Period Vessels and the PSL Non-Escrow Period Vessel) to PSL, and allocate 5 sets of tug-and-barge vessels (i.e. the Remaining Escrow Period Vessels) to Sudirman and Angelo.

However, for the duration of the Escrow Period:

- (i) PSL would be entitled to exercise rights of physical possession over 6 sets of the tug-and-barge vessels (i.e. the PSL Escrow Period Vessels), and would be entitled to direct PT MII to enter into new charterparties in connection with these vessels.
- (ii) Sudirman and Angelo would be entitled to exercise rights of physical possession over 6 sets of the tug-and-barge vessels (i.e. the PSL Non-Escrow Period Vessel and the Remaining Escrow Period Vessels), and would be entitled to direct PT MII to enter into new charterparties in connection with the vessels. These 6 vessels are the PSL Non-Escrow Period Vessel and the Remaining Escrow Period Vessels.

The Escrow Period refers to the period between the date of the Term Sheet and the date on which Shareholder Approval is obtained for the Global Settlement.

Upon Shareholder Approval being obtained, Sudirman and Angelo shall ensure that the PSL Non-Escrow Period Vessel be physically delivered to PSL, and the Title Deed to the PSL Non-Escrow Period Vessel (which is currently held by PSL's Solicitors in escrow) be released to PSL.

### **SGX Query 3:**

**The Company invested a total of US\$ 23 million but its entitlement to the vessels is valued at S\$17.1 million including insurance claim of \$0.75 million in relation to the sunk vessel. On the other hand Sudirman and Angello extended a loan of only US\$ 8.5 million but their entitlement to vessels amount to S\$7.65 million. Please elaborate on the discrepancy in the value of vessels that the Company will be entitled to.**

As disclosed in the Company's response on 9 January 2019 to SGX Query 2 on 4 January 2019, PSL's former management caused the Company to (a) invest US\$ 11.5 million to acquire shares in PT MII; and (b) extend a loan of US\$ 11.5 million (i.e. approximately S\$ 16 million) to PT MII.

Also, as disclosed in the Company's Announcement on 9 January 2019, after almost 2 years of protracted litigations, PSL considered the commercial merits to settle its litigations with PT MII, Sudirman, and Angelo, so as to avoid the significant legal and time costs that PSL would have to incur to pursue the matters and in order to extract value from the deployment of the Escrow Vessels. It was on such bases that PSL entered into the settlement as stated in the Term Sheet and the Settlement Agreement.

### **SGX Query 4:**

**In the Company's Response to SGX-ST's Query 7, the Company disclosed that the new bank account referred to as the "Sudirman and Angelo Escrow Period Account", 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 (Schedule 3) and the Remaining Escrow Period Vessels (Schedule1). It was stated that where Sudirman and Angelo are entitled to receive the revenue in accordance with the settlement. However, as set out in the Company's response to SGX-ST's Query 3, PSL Non-Escrow Period Vessel and the Remaining Escrow Period Vessels will belong to PSL. Please explain why Sudirman and Angelo will be receiving the revenue, charter hire, freight, and/or proceeds of charterparties and/or contracts in the "Sudirman and Angelo Escrow Period Account" in respect of PSL Non-Escrow Period Vessel and the Remaining Escrow Period Vessels which should accrue to PSL. Please explain why Sudirman and Angelo should be entitled to the proceeds in the "Sudirman and Angelo Escrow Period Account".**

Under the Term Sheet and the Settlement Agreement, PT MII would allocate 7 sets of tug-and-barge vessels (i.e. the PSL Escrow Period Vessels and the PSL Non-Escrow Period Vessel) to PSL, and allocate 5 sets of tug-and-barge vessels (i.e. the Remaining Escrow Period Vessels) to Sudirman and Angelo.

However, for the duration of the Escrow Period:

- (i) PSL would be entitled to exercise rights of physical possession over 6 sets of the tug-and-barge vessels (i.e. the PSL Escrow Period Vessels), and would be entitled to direct PT MII to enter into new charterparties in connection with these vessels.
- (ii) Sudirman and Angelo would be entitled to exercise rights of physical possession over 6 sets of the tug-and-barge vessels (i.e. the PSL Non-Escrow Period Vessels and the Remaining Escrow Period Vessels), and would be entitled to direct PT MII to enter into new charterparties in connection with the vessels. These 6 vessels are the PSL Non-Escrow Period Vessel and the Remaining Escrow Period Vessels.
- (iii) Any revenue, charter hire, freight, and/or proceeds of charterparties and/or contracts earned from the charterparties in connection with the vessels allocated to PSL would be paid into a PSL Escrow Period Account, while any revenue, charter hire, freight, and/or proceeds of charterparties and/or contracts earned from the charterparties in connection with the vessels allocated to Sudirman and Angelo would be paid into a Sudirman and Angelo Escrow Period Account.

As it was anticipated it would take time to obtain the necessary regulatory and shareholder approvals for the Term Sheet and the Definitive Agreements, PSL agreed to this Escrow Period arrangement so that it could extract value from the vessels for the benefit of its shareholders while the approvals are being obtained.

#### **SGX Query 5:**

**In Response 7(b), the Company also disclosed that it will not be entitled to receive any monies received in the Sudirman and Angelo Escrow Period Account (which refers to revenue received in respect of the vessels listed in Schedules 1& 3) upon the termination of the Settlement Agreement. If this is the case, please disclose which of the charter revenue and proceeds the Company is entitled to receive for all the vessels listed in Schedule 1, 2, 3, 4 upon termination of the Settlement Agreement.**

Upon termination of the Settlement Agreement (ie during the Escrow Period), the Company is entitled to receive the charter revenues and proceeds earned from the charterparties in connection with the PSL Escrow Period Vessels (i.e. the vessels listed in Schedule 2), less any operational expenses payable in respect of the PSL Escrow Period Vessels.

Please see also the response in Query 4 above.

#### **SGX Query 6:**

**The Company disclosed that 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. Please disclose if PT MII had ever been profitable since the acquisition by the Company. Please quantify.**

**If the profit guarantee by Sudirman and Angelo is to achieve US\$12.2 million (S\$17.1 million) over a 24-month period, please explain how the disclosed amount of S\$5.9 million of profit guarantee due from Sudirman and Angelo is derived based on the actual audited profit/loss actually reported by PT MII over the 24-month period.**

This valuation amount of US\$4.1 million (S\$5.9 million) was based on Censure's Valuation Report dated 24 March 2017 which is extracted below:

Review of Historical Financial Results

The historical financial performance of PT MII is summarised as follows:

| (USD'000)                                        | <i>Actual</i> |              |                |               |
|--------------------------------------------------|---------------|--------------|----------------|---------------|
|                                                  | FY2013        | FY2014       | FY2015         | FY2016        |
| <b>Revenue</b>                                   | <b>3,569</b>  | <b>9,748</b> | <b>9,546</b>   | <b>10,512</b> |
| Less: Cost of Goods Sold                         | 4,023         | 7,649        | 9,281          | 8,870         |
| <b>Gross profit (GP)</b>                         | <b>(454)</b>  | <b>2,099</b> | <b>265</b>     | <b>1,642</b>  |
| Add: Other Income                                | 1,642         | 426          | 755            | 0             |
| Less: Operating Expenses                         | 59            | 792          | 837            | 951           |
| <b>EBITDA</b>                                    | <b>2,164</b>  | <b>3,332</b> | <b>2,133</b>   | <b>2,678</b>  |
| Less: Depreciation and Amortization              | 1,035         | 1,599        | 1,949          | 1,987         |
| <b>Earnings before Interest &amp; Tax (EBIT)</b> | <b>1,129</b>  | <b>1,733</b> | <b>183</b>     | <b>691</b>    |
| Less: Net finance expense/(income)               | 702           | 1,478        | 1,306          | 1,142         |
| <b>Profit before income tax (PBT)</b>            | <b>427</b>    | <b>254</b>   | <b>(1,123)</b> | <b>(451)</b>  |
| Less: Income tax expense                         | 43            | -            | -              | 126           |
| <b>Profit from continuing operations (NP)</b>    | <b>384</b>    | <b>254</b>   | <b>(1,123)</b> | <b>(577)</b>  |

Review of Financial Forecasts

Management has provided financial forecasts for each of the two CGU from FY2017 to FY2022. We have reviewed the financial forecasts along with the accompanying assumptions and are of the opinion that they are in-line with the accompanying assumptions.

| (USD'000)                                        | <i>Forecast</i> |                |                |                |                |                |
|--------------------------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|
|                                                  | FY2017          | FY2018         | FY2019         | FY2020         | FY2021         | FY2022         |
| <b>Revenue</b>                                   | <b>15,057</b>   | <b>15,663</b>  | <b>16,293</b>  | <b>16,949</b>  | <b>17,631</b>  | <b>17,631</b>  |
| Less: Cost of Goods Sold                         | 10,902          | 14,222         | 14,795         | 15,390         | 16,009         | 16,009         |
| <b>Gross profit (GP)</b>                         | <b>4,155</b>    | <b>1,441</b>   | <b>1,499</b>   | <b>1,559</b>   | <b>1,622</b>   | <b>1,622</b>   |
| Add: Other Income                                | -               | -              | -              | -              | -              | -              |
| Less: Operating Expenses                         | 1,014           | 1,395          | 1,451          | 1,510          | 1,570          | 1,570          |
| <b>EBITDA</b>                                    | <b>4,260</b>    | <b>953</b>     | <b>746</b>     | <b>538</b>     | <b>330</b>     | <b>120</b>     |
| Less: Depreciation and Amortization              | 1,118           | 907            | 698            | 488            | 278            | 68             |
| <b>Earnings before Interest &amp; Tax (EBIT)</b> | <b>3,142</b>    | <b>46</b>      | <b>47</b>      | <b>49</b>      | <b>51</b>      | <b>51</b>      |
| Less: Net finance expense/(income)               | 947             | 947            | 947            | 947            | 947            | 947            |
| <b>Profit before income tax (PBT)</b>            | <b>2,195</b>    | <b>(901)</b>   | <b>(899)</b>   | <b>(897)</b>   | <b>(895)</b>   | <b>(895)</b>   |
| Less: Income tax expense                         | 181             | 188            | 196            | 203            | 212            | 212            |
| <b>Profit from continuing operations (NP)</b>    | <b>2,014</b>    | <b>(1,089)</b> | <b>(1,095)</b> | <b>(1,101)</b> | <b>(1,107)</b> | <b>(1,107)</b> |

In accordance to sales and purchase agreement of the Acquisition, the vendors provided guarantee to PSL that PT MII will achieve an aggregate of US\$12.2 million Net Profit after Tax ("NPAT") over a 24-month period following Valuation Date ("Profit Guarantee").

We have arrived at the Fair Value of Profit Guarantee by estimating the compensation that would be received by PSL in the event that targeted NPAT is not achieved. The Fair Value of Profit Guarantee is dependent on the NPAT achieved during the 24-month period from 1<sup>st</sup> December 2015 to 30<sup>th</sup> November 2017. We have relied on the financial forecast provided by the Management in determining the expected NPAT for the different periods within the guaranteed period.

To account for the uncertainties in profits figure forecasted, we have assumed that the probability of NPAT in future years follows a normal distribution, with a mean equivalent to the forecasted NPAT and standard deviation equivalent to the standard deviation of historical growth of normalised profits of comparable companies.

After discounting the expected compensation to be received with bank prime lending rate as at Valuation Date, the Fair Value of Profit Guarantee amount to US\$4.1 million as indicated below:

| (USD S'000)                                                  | Dec 2015 | Jan - Dec 2016 | Jan - Nov 2017 | Total        |
|--------------------------------------------------------------|----------|----------------|----------------|--------------|
| <b>Profit Guarantee on NPAT**</b>                            | 520      | 6,122          | 5,602          | 12,245       |
| **Clause 4B in Conditional SPA                               |          |                |                |              |
| Expected Forecast NPAT                                       |          |                | 1,843          |              |
| Standard deviation                                           |          |                | 276.4%         |              |
| Standard deviation in Pay-out Year (in dollar amount)        |          |                | 5,095          |              |
| Probability weighted value of Shortfall in Profit            | 255      | 3,000          | 1,568          | 4,822        |
| Discount rate                                                |          |                |                | 12.7%        |
| Time Factor (Assume payout in end of May following every FY) |          |                |                | 1.4          |
| Present Value                                                |          |                |                | 4071         |
| <b>Fair Value of Profit Guarantee</b>                        |          |                |                | <b>4,071</b> |

End of Extracts

#### SGX Query 7:

In the Company's response to SGX-ST's Query 17 on who is the key management leading the management of the vessels and developing the marine logistic business of the Company, the Company disclosed that the Chief Financial Officer of the Company in Indonesia, Sjonanto, will lead the marine logistics sector. Please explain the BOD's and AC's view on why there will not be any conflicts or concerns over corporate governance if the CFO also acts as the COO of the Company's significant operations where there will be no segregation of operations and accounting responsibility in the Group.

As mentioned, Sjonanto has extensive experience in the relevant industries which will be useful for the purposes of leading the management of the vessels and developing the marine logistics business for PSL.

PSL will ensure that there is proper segregation of duties and responsibilities at the Team and process levels. Important key business decisions will still be subjected to the Board review and approval and therefore the Company does not anticipate any major conflicts or issues with Corporate Governance.

#### SGX Query 8:

In relation to the Settlement Agreement with Sudirman and Angelo announced on 10 December 2018, PSL agreed on the inclusion of an unusual clause in the agreement that "PSL shall not undertake any forensic or other investigation or audit into the matters of PT MII". The Board responded on 9 January 2019 that the Company does not have any specific concerns and there may not be possible criminal breaches that the Company is aware of arising from or relating to PT MII. Please elaborate on the background why forensic or other investigations were considered. Noting that the Company will only be entitled to a value amounting to S\$17.1 million under the Settlement Agreement after a total injection of US\$23 million into PT MII by

**PSL, please disclose what the AC had done to satisfy itself that it does not have any specific concerns relating to the investment of PT MII and possible criminal breaches.**

To clarify, based on the accounts of PT MII made available to PSL thus far, PSL has not come across any specific instances of wrongdoing which would warrant a criminal complaint.

The relevant clause was proposed by Sudirman and Angelo during the course of the negotiations for the settlement. After careful consideration, PSL decided to accept the inclusion of the clause as part of the *quid pro quo* in the Term Sheet and the Settlement Agreement as:

- (i) PSL has not observed any specific instances of wrongdoing which would warrant a criminal complaint.
- (ii) There have been reports about the deterioration in PT MII's business which would diminish the value of PSL's continued involvement in PT MII.
- (iii) Rather than expend significant time and costs to conduct a full audit into PT MII, and to avoid the prospect of lengthy proceedings and litigation risks, it was more commercially viable for PSL to enter into the Term Sheet and the Settlement Agreement as the alternative would have resulted in less value to PSL's shareholders.

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

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