PSL HOLDINGS LIMITED
Company Registration Number: 199707022K
(Incorporated in the Republic of Singapore)

RESPONSE TO THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERY ON THE ANNOUNCEMENTS ON 4 AUGUST 2014 FOR 2Q2014 SECOND QUARTER RESULTS

The Board of Directors of PSL Holdings Limited (the "**Company**", together with its subsidiaries, the ("**Group**") wishes to provide the following response to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in their email dated 25 August 2014 in respect of the Company's second quarter results announcements on 4 August 2014.

Query (a):

It is noted that cost of sales for 2Q2014 increased by 27.1% despite the 15.2% fall in revenue. Please provide a breakdown of the cost of sales and explain material items which resulted in the 27.1% increase.

Company's response:

The breakdown of cost of sales is as follows:

	Group	
	30 June 2014	30 June 2013
	$'000	$'000
Purchases	362	591
Depreciation	92	73
Direct labour	276	231
Motor vehicle expenses	320	315
Dumping fee	381	137
Subcontractor fees	281	-
Total	**1,712**	**1,347**

The increase in cost of sales for 2Q2014 by 27.1% or $365,000 is due to the following:

a) the increase in dumping fee of $244,000 or 178% due to an increase in number of trips made and the per unit cost for each trip charged by the dumping sites.
b) the increase of subcontractor fees of $281,000 or 100%

The above increase is offset by a decrease in purchases of $229,000 or 39%. This decrease in purchases is in line with the decrease in revenue for Resource Hardware & Trading Pte Ltd.

Query (b)

It is noted that "other receivables" increased by 82% from S$7.4 million as at 31 December 2013 to S$13.4 million as at 30 June 2014. Please provide a breakdown of other receivables and reasons for the significant increase.

Company's response:

The breakdown of other receivables is as follows:

	Group	
	30 Jun 2014	31 Dec 2013
	$'000	$'000
Advance payment to supplier	639	1,000
Balance consideration from disposal of subsidiaries	4,601	4,601
Deferred expenses - professional fees paid in relation to the acquisition of Longmen Group Limited	140	-
Deposits	354	386
Deposit paid to Longmen Group Limited	6,263	-
Loan receivable from available-for-sale financial asset	184	184
Less: allowance for impairment of loan receivable	(184)	(184)
Prepayments	89	105
Goods and services recoverable	113	47
Sundry receivables	1,212	1,208
Staff advances	8	11
	13,419	7,358

Other receivables increased by 82% or $6.0 million from $7.4 million as at 31 December 2013 to $13.4 million as at 30 June 2014. The increase was due to an increase in deferred expenses (for professional fees paid in relation to the acquisition of Longmen Group Limited) of $140,000 and the refundable deposit of $6.3 million paid to Longmen Group Limited on signing of the MOU on 14 May 2014. This increase is offset by a decrease in advance payment to supplier of $361,000 due to the utilisation of the advance payment.

Query (c)

Paragraph 9 of the Results Announcement requires Company to comment whether the current results are in line with the Company's commentary in Paragraph 10 of 1Q FY2014 results announcement. Please provide.

Company's response:

There is no variance between the 2Q2014 announcement and paragraph 10 of 1QFY2014 results announcement.

BY ORDER OF THE BOARD

Tang Yew Quan
Executive Director
26 August 2014