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

NON-BINDING MEMORANDUM OF UNDERSTANDING FOR A PROPOSED INVESTMENT IN LONGMEN GROUP LIMITED

1. Introduction

The board of directors of the Company is pleased to announce that the Company has today entered into a non-binding memorandum of understanding (the "**MOU**") with Longmen Group Limited ("**Longmen**") in relation to a proposed investment by the Company in Longmen (the "**Proposed Transaction**").

2. The Proposed Transaction

2.1 Pursuant to the terms of the MOU, it is contemplated that the Proposed Transaction will comprise, *inter alia*, the following:

(a) a cash injection by the Company of up to US$40 million into Longmen, which shall include a refundable deposit of US$5 million to Longmen (the "**Deposit**") payable by the Company in connection with the Exclusivity Period (as defined below); and

(b) subsequently, the purchase by the Company of shares in Longmen (the "**Tranche A Shares**") from certain shareholders of Longmen for a cash consideration, and the grant of a call option by certain vendors of shares in Longmen to the Company in respect of the remaining shares in Longmen held by them (the "**Tranche B Shares**").

It is envisaged that the Company will acquire the Tranche A Shares and the Tranche B Shares only if Longmen has met certain key production or operational milestones to the Company's satisfaction.

2.2 Longmen is a company incorporated in the Republic of Mauritius which owns a participating interest in a coal bed methane concession in partnership with Petro China for 30 years starting in 2007 through a production sharing contract (the "**PSC**") in the district of Shannxi province, the People's Republic of China, which gives Longmen the right to explore, develop, produce and sell the gas from the concession. In addition, Longmen has an agreement for coal mine gas extraction with the Hancheng Coal Mine Bureau valid for 20 years (the "**Gas Extraction Contract**", and together with the PSC, the "**Concessions**").

2.3 Pursuant to the terms of the MOU, the Proposed Transaction will be subject to the satisfaction of such conditions precedent as may be agreed by the relevant parties in the definitive agreements and all other documents and agreements ancillary or pursuant thereto or in connection therewith (collectively, the "**Definitive Agreements**") (including those typically found in arm's length transactions of a similar nature as the Proposed Transaction). It is contemplated that such conditions precedent shall include, *inter alia*:

(a) the execution of the Definitive Agreements;

(b) the completion of satisfactory due diligence by the Company on Longmen;

(c) the receipt by the Company of a satisfactory technical report with regard to the resources and reserves relating to the PSC concession; and

(d) the receipt of all consents and approvals required under any and all applicable laws to give effect to the Proposed Transaction, including without limitation, applicable regulatory approvals and the approval of the shareholders of the Company in respect of the Proposed Transaction.

3. Rationale of the Proposed Transaction

As stated in the Company's unaudited financial statements and related announcement for the first quarter ended 31 March 2014, the Group remains committed to exploring resource related investment opportunities.

The Proposed Transaction presents the Group an opportunity to enter into the resource industry of the People's Republic of China, and if completed, will diversify the Group's existing businesses which comprise of trading of hardware and repair of machinery parts, and earth moving works and excavation services.

4. Exclusivity Period

Pursuant to the terms of MOU, subject to payment of the Deposit by the Company to Longmen, Longmen will grant the Company an exclusivity period (the "**Exclusivity Period**") of four (4) months commencing from the date of the MOU to (a) conduct due diligence on Longmen and (b) negotiate and execute the Definitive Agreements, which period may be extended for another two (2) months upon the mutual agreement of the Company and Longmen.

5. Non-Binding MOU

5.1 Except for certain customary provisions relating to, *inter alia*, the Exclusivity Period and confidentiality obligations of the Company and Longmen, the MOU states that no legally binding obligations will be created between the Company and Longmen until the relevant Definitive Agreements are executed and delivered. Accordingly, there can be no assurance that the Proposed Transaction will materialise.

5.2 The Company will provide further details in subsequent announcements in accordance with the listing rules of the Singapore Exchange Securities Trading Limited at the appropriate junctures. In the meantime, shareholders of the Company are advised to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests and to exercise caution when dealing with shares in the Company. In the event that shareholders of the Company wish to deal in the shares of the Company, they are advised to seek their own professional advice and/or consult their stockbrokers.

By Order of the Board

Tang Yew Quan
Executive Director
14 May 2014