
**RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S UPDATE
QUERIES ON THE COMPANY'S ANNOUNCEMENT DATED 7 SEPTEMBER 2017**

The Board of Directors of PSL Holdings Limited (the "**Company**" or "**PSL**") refers to the following update queries raised by the Singapore Exchange Securities Trading Limited ("**SGX**") in its email dated 30 October 2017 and would like to provide further information in relation to the Company's announcement titled "Responses to Singapore Exchange Securities Trading Limited's queries on the Company's Unaudited Financial Statements for the second quarter ended 30 June 2017" dated 7 September 2017 (the "**Announcement**").

SGX Query 1:

Please provide an update on the Company's legal claims on the profit guarantee. Please disclose the legal steps that the Company has taken since its demand for payment announced on 8 June 2017.

Company's response to Query 1:

Since the demand for payment announced on 8 June 2017, the Company has commenced Suit 573 of 2017 in the High Court of Singapore for, amongst other things, the Company's claim on the profit guarantee for the period of 1 January 2016 to 31 December 2016. This is the second suit commenced by the Company in relation to its claims on the profit guarantee under the Conditional Sale and Purchase Agreement.

Suit 1238 of 2016, which was commenced on 22 November 2016 in respect of, amongst other things, the Company's claim on the profit guarantee for the period of 26 November 2015 to 31 December 2015, is currently still pending in the High Court of Singapore.

The High Court has fixed the trial for both suits to be heard together in July and August 2018.

SGX Query 2:

Please disclose the performance of PT MII in each of the financial years over the 24-month period commencing from November 2015. Please illustrate how the estimated fair value of the profit guarantee, amounting to S\$5.9 million, was arrived at.

Company's response to Query 2:

The performance of PTMII is as follows:

FY2015 (November 2015 to December 2015) – net loss after tax of S\$338,000
FY2016 (January 2016 to December 2016) – net loss after tax of S\$19,078,000
FY2017 (January 2017 to Aug 2017) – net profit after tax of S\$1,762,000

The vendors of PT MII (Sudirman Kurniawan and Angelo Fernandus) had provided a guarantee to the Company 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. The actual NPAT achieved will be compared against the targeted NPAT. In the event that the targeted NPAT is not met, the vendors of PTMII are obliged to compensate the shortfall amount in cash based on its 49% ownership interest in PTMII.

Based on FRS 39 Financial Instruments: Recognition and Measurement at Paragraphs 45 and 46 (Subsequent measurement of financial assets), the profit guarantee is considered as a financial instrument, and accordingly, the guarantee is “mark-to-market” annually, taking into consideration the performance of PT MII and management’s assessment of meeting the performance targets.

Management has engaged a professional external valuer to value the fair value of the profit guarantee as at 31 December 2016. Based on the valuation, the probability of receiving the profit guarantee was higher as at 31 December 2016, as compared to as at 31 December 2015, and the fair value of the profit guarantee was estimated to be S\$5.9 million as at 31 December 2016, a gain of \$3.7 million over the prior year.

In determining the fair value as at 31 December 2016, estimates were made by management to forecast the NPAT for FY2017, historical earnings growth rate and discount rate. In making these estimates, management has relied on past performance, its expectations of market development in Indonesia, the marine vessels industry trends and bank prime lending rates.

SGX Query 3:

With regard to the US\$11.5 million loan (the “**Purchaser Loan**”) from the Company to PT MII, the Company stated that “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.” Please provide an update on the status of the Purchaser Loan and its collectability.

Company’s response to Query 3:

The Company remains entitled to be paid in accordance with Clause 4.2 of the Shareholders’ Deed of Agreement dated 25 November 2015. The Company continues to engage the board of directors of PT MII in discussions in respect of the repayment of the Purchaser Loan. The Company will have a more definite picture once the accounts of PT MII for financial year ending 31 December 2017 are confirmed.

SGX Query 4:

As at 7 September 2017, the Company stated that “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.” Please provide an update on the status of the appointment of special auditors. If this has not been done, please explain why and provide the basis for the Board’s, as well as the Audit Committee’s views, decision not to follow-up on this matter.

Company’s response to Query 4:

The Company continues to conduct its internal inquiries and evaluations into the commercial merits and/or costs of appointing special auditors.

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

**Tan Cheang Shiong
Chief Executive Officer
1 November 2017**