

SEROJA INVESTMENTS LIMITED

(Company Registration Number: 198300847M)

Unaudited Second Quarter Financial Statement and Dividend Announcement for the Period Ended 30 June 2014
PART I: Information required for announcements of Quarterly (Q1, Q2 & Q3), Half-Year and Full Year Results
1 (a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	3 months ended 30/06/2014 US\$'000	3 months ended 30/06/2013 US\$'000	Increase/ (Decrease) %	6 months ended 30/06/2014 US\$'000	6 months ended 30/06/2013 US\$'000	Increase/ (Decrease) %
Revenue	16,987	18,446	(7.9)	34,830	35,220	(1.1)
Cost of services	(13,061)	(14,848)	(12.0)	(26,318)	(29,666)	(11.3)
Gross profit	3,926	3,598	9.1	8,512	5,554	53.3
Other (losses)/gains	(35)	(39)	(10.3)	132	(86)	n.m.
Expenses						
- Administrative	(572)	(1,181)	(51.6)	(1,924)	(2,596)	(25.9)
- Finance	(528)	(676)	(21.9)	(1,078)	(1,437)	(25.0)
Share of results of associates	196	233	(15.9)	(79)	313	n.m.
Profit before income tax	2,987	1,935	54.4	5,563	1,748	218.2
Income tax expense	(171)	(175)	(2.3)	(352)	(330)	6.7
Net profit	2,816	1,760	60.0	5,211	1,418	267.5
Other comprehensive income	-	-		-	-	
Total comprehensive income for the period	2,816	1,760	60.0	5,211	1,418	267.5
Net profit/Total comprehensive income						
Attributable to:						
Equity holders of the Company	1,423	538	164.5	2,070	22	9,309.1
Non-controlling interests	1,393	1,222	14.0	3,141	1,396	125.0
	2,816	1,760	60.0	5,211	1,418	267.5

n.m. – not meaningful

1(a)(ii) The accompanying notes to the financial statements form an integral part of the financial statements

	Group			Group		
	3 months ended 30/06/2014 US\$'000	3 months ended 30/06/2013 US\$'000	Increase/ (Decrease) %	6 months ended 30/06/2014 US\$'000	6 months ended 30/06/2013 US\$'000	Increase/ (Decrease) %
Profit before income tax is arrived at after charging/(crediting):						
Depreciation of property, plant and equipment,	2,809	3,169	(11.4)	5,708	6,279	(9.1)
Loss/(gain) on foreign exchange	42	42	-	(114)	93	n.m.
Gain on disposal of property, plant equipment,	(2)	-	n.m.	(7)	-	n.m.
Interest expense	528	676	(21.9)	1,078	1,437	(25.0)
Interest income	(6)	(3)	100.0	(11)	(7)	57.1

n.m. – not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	4,160	4,292	83	346
Trade and other receivables	24,449	20,124	28,689	28,850
Non-current asset classified as held-for- sale	24,303	3,277	-	-
Inventories	1,937	2,193	-	-
Other current assets	4,350	585	55	56
	<u>59,199</u>	<u>30,471</u>	<u>28,827</u>	<u>29,252</u>
Non-current assets				
Investments in subsidiaries	-	-	22,138	22,138
Investments in associates	4,528	4,607	-	-
Property, plant and equipment	87,203	116,640	135	165
	<u>91,731</u>	<u>121,247</u>	<u>22,273</u>	<u>22,303</u>
Total assets	<u>150,930</u>	<u>151,718</u>	<u>51,100</u>	<u>51,555</u>
LIABILITIES				
Current liabilities				
Trade and other payables	21,769	18,471	350	339
Finance lease	2,694	2,741	-	-
Borrowings	22,363	27,155	-	-
	<u>46,826</u>	<u>48,367</u>	<u>350</u>	<u>339</u>
Non-current liabilities				
Finance lease	3,808	5,143	-	-
Borrowings	25,900	29,000	-	-
Deferred income tax liabilities	332	355	-	-
Provision for post employment benefits	418	418	-	-
	<u>30,458</u>	<u>34,916</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>77,284</u>	<u>83,283</u>	<u>350</u>	<u>339</u>
NET ASSETS	<u>73,646</u>	<u>68,435</u>	<u>50,750</u>	<u>51,216</u>
EQUITY				
Capital and reserve attributable to equity holders of the Company				
Share capital	31,801	31,801	56,951	56,951
Translation reserve	3	3	-	-
Retained earnings/(accumulated losses)	12,777	10,707	(6,201)	(5,735)
	<u>44,581</u>	<u>42,511</u>	<u>50,750</u>	<u>51,216</u>
Non-controlling interests	29,065	25,924	-	-
	<u>73,646</u>	<u>68,435</u>	<u>50,750</u>	<u>51,216</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

	Group	
	30/06/2014 US\$'000	31/12/2013 US\$'000
<u>Amount repayable in one year or less, or on demand:</u>		
Secured	22,363	27,155
Unsecured	2,694	2,741
	25,057	29,896
<u>Amount repayable after one year:</u>		
Secured	25,900	29,000
Unsecured	3,808	5,143
	29,708	34,143
Total borrowings	54,765	64,039

Details of any collateral

Bank borrowings of the Group are secured by the following:

- mortgage over certain vessels of subsidiaries and joint venture companies;
- an assignment of all rights in respect of certain coal barging contracts;
- an assignment of all moneys and rights to receive money in respect of any of the pledged vessels and their respective insurances;
- pledge of the shares of subsidiary, PT Pulau Seroja Jaya ("PT PSJ") by certain shareholders of PT PSJ;
- pledge of the shares of joint venture companies;
- a charge on the cash, receivables and inventories of PT PSJ and joint venture companies;
- corporate guarantees by joint venture companies;
- corporate guarantees by related parties of certain directors; and
- personal guarantees by certain directors of joint venture companies.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	For the 3 months ended		For the 6 months ended	
	30 June		30 June	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Cash Flows from Operating Activities				
Profit before income tax	2,987	1,935	5,563	1,748
Adjustments for:				
Depreciation of property, plant and equipment	2,809	3,169	5,708	6,279
Gain on disposal of property, plant and equipment	(2)	-	(7)	-
Interest expense	528	676	1,078	1,437
Interest income	(6)	(3)	(11)	(7)
Share of results of associates	(196)	(233)	79	(313)
Operating cash flow before working capital changes	6,120	5,544	12,410	9,144
Changes in working capital:				
Inventories	(354)	(291)	256	(587)
Trade and other receivables	(5,708)	(3,194)	(4,325)	(1,351)
Other current assets	(184)	(52)	(442)	(763)
Trade and other payables	1,069	2,646	3,349	2,402
Post employment benefits	-	-	-	102
Cash generated from operating activities	943	4,653	11,248	8,947
Income tax paid	(182)	(187)	(374)	(353)
Interest received	6	3	11	7
Net cash generated from operating activities	767	4,469	10,885	8,601
Cash Flows from Investing Activities				
Deposits for purchase of property, plant and equipment	(3,322)	-	(3,322)	-
Purchase of property, plant and equipment	(216)	(1,003)	(576)	(2,147)
Proceeds from disposal of property, plant and equipment	1	-	3,285	-
Net cash used in investing activities	(3,537)	(1,003)	(613)	(2,147)
Cash Flows from Financing Activities				
Repayment of borrowings	(663)	(3,667)	(7,892)	(7,335)
Payment of finance lease	(753)	(251)	(1,505)	(1,003)
Interest paid	(482)	(488)	(1,007)	(1,325)
Net cash used in financing activities	(1,898)	(4,406)	(10,404)	(9,663)
Net decrease in cash and cash equivalents	(4,668)	(940)	(132)	(3,209)
Cash and cash equivalents at the beginning of the financial period	8,828	8,182	4,292	10,451
Cash and cash equivalents at the end of the financial period	4,160	7,242	4,160	7,242
Represented by:				
Short-term bank deposits	-	2,398	-	2,398
Cash and bank balances	4,160	4,844	4,160	4,844
	4,160	7,242	4,160	7,242

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Share capital US\$'000	Translation reserve US\$'000	Retained earnings US\$'000	Non-controlling Interests US\$'000	Total US\$'000
Balance as at 1 April 2013	31,801	3	20,628	23,062	75,494
Total comprehensive income for the period	-	-	538	1,222	1,760
Balance as at 30 June 2013	<u>31,801</u>	<u>3</u>	<u>21,166</u>	<u>24,284</u>	<u>77,254</u>
Balance as at 1 April 2014	31,801	3	11,354	27,672	70,830
Total comprehensive income for the period	-	-	1,423	1,393	2,816
Balance as at 30 June 2014	<u>31,801</u>	<u>3</u>	<u>12,777</u>	<u>29,065</u>	<u>73,646</u>

Company

	Share capital US\$'000	Retained earnings US\$'000	Total US\$'000
Balance as at 1 April 2013	56,951	(5,077)	51,874
Total comprehensive loss for the period	-	(224)	(224)
Balance as at 30 June 2013	<u>56,951</u>	<u>(5,301)</u>	<u>51,650</u>
Balance as at 1 April 2014	56,951	(5,960)	50,991
Total comprehensive loss for the period	-	(241)	(241)
Balance as at 30 June 2014	<u>56,951</u>	<u>(6,201)</u>	<u>50,750</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Company's share capital during the financial period from 1 April 2014 to 30 June 2014.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Total number of issued ordinary shares as at 30 June 2014 is 390,388,110. (31 December 2013: 390,388,110 shares).

1(d)(iv) A statement showing all shares, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company does not have any treasury shares.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the six months ended 30 June 2014 as compared with those for the audited consolidated financial statements as at 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended 30/06/14 US cents	3 months ended 30/06/13 US cents	6 months ended 30/06/14 US cents	6 months ended 30/06/13 US cents
(a) Basic	0.36	0.14	0.53	0.01
(b) Fully diluted basis	0.36	0.14	0.53	0.01

Note 1:

The earnings per ordinary share of the Group for the six months ended 30 June 2014 has been computed based on weighted average of 390,388,110 ordinary shares. (30 June 2013: 390,388,110 shares).

7. Net asset value per ordinary share based on issued share capital of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30/06/14	31/12/13	30/06/14	31/12/13
Net asset value per ordinary share based on issued share capital as at the end of the period (US cents)	11.42	10.89	13.00	13.12

Net asset value per ordinary share of the Group and the Company have been computed based on the total issued share capital as at 30 June 2014 of 390,388,110 shares (31 December 2013: 390,388,110 shares).

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Statement of Comprehensive Income

The Group's revenue breakdown for FY2014Q2 and FY2013Q2 are summarised in the table below:-

	FY2014Q2		FY2013Q2	
	US\$'000	%	US\$'000	%
Freight charter	14,417	84.9	14,308	77.6
Time charter	2,570	15.1	4,138	22.4
Total revenue	16,987	100.0	18,446	100.0

Revenue

Revenue decreased by 7.9% or US\$1.4 million from US\$18.4 million in FY2013Q2 to US\$17.0 million in FY2014Q2 due to lower time charter revenue partly offset by higher freight charter revenue. Freight charter revenue increased marginally by US\$0.1 million from US\$14.3 million in FY2013Q2 to US\$14.4 million in FY2014Q2 due mainly to higher average freight rate which is partly offset by lower cargo volume shipped. Time charter revenue decreased by US\$1.5 million from US\$4.1 million in FY2013Q2 to US\$2.6 million in FY2014Q2 due mainly to disposal of jointly owned capesize vessel which was under off hire in December 2013, hence no contribution from the capesize vessel for the current quarter under review. The lower time charter revenue was also partly due to non renewal of time charter contract by an Indonesia customer for the charter of tugboats and barges.

Gross Profit

Gross profit increased by US\$0.3 million from US\$3.6 million in FY2013Q2 to US\$3.9 million in FY2014Q2 mainly due to lower depreciation charges, management and maintenance fees as a result of the disposal of the capesize vessel as abovementioned. As a result of higher average freight rate as well as lower operational costs, gross profit margin increased from 19.5% in FY2013Q2 to 23.1% in FY2014Q2.

Other gains/(losses)

No material variance noted for other gains/(losses) for FY2014Q2 as compared to FY2013Q2.

Expenses

Administrative expenses decreased by US\$0.6 million mainly due to operating/management costs of capesize vessel incurred during period of offhire amounting to US\$0.3 million was reclassified to cost of services. The decrease was also partly due to lower entertainment and office supplies incurred in line with lower business activity for the period under review. The decrease in finance expenses by US\$0.2 million from US\$0.7 million in FY2013Q2 to US\$0.5 million in FY2014Q2 was mainly due to lower bank borrowings as a result of repayments made.

Share of results of associates

The share of results of associates decreased by US\$37k from US\$233k in FY2013Q2 to US\$196k in FY2014Q2 mainly due to higher depreciation expenses of FSO vessel arising from drydock costs incurred in Jun 2013.

Net Profit

Arising from the above, net profit attributable to shareholders increased by US\$0.9 million from US\$0.5 million in FY2013Q2 to US\$1.4 million in FY2014Q2.

Review of the Group's Financial Position as at 30 June 2014 as compared to the Group's Financial Position as at 31 December 2013

The increase in trade and other receivables by US\$4.3 million was mainly due to slower payment by charterer of vessels jointly owned with Zhushui. Non-current asset classified as held for sale of US\$24.3 million as at 30 June 2014 pertained to reclassification of two panamax vessels from non-current asset to current asset due to joint decision to dispose the vessels as a result of continuing weak operating environment for such drybulk carriers. The balance of US\$3.3 million as at 31 December 2013 was fully received upon completion of the capesize sale in March 2014. Inventories decreased by US\$0.3 million mainly due to more vessels drydocked in June 2014 as compared to December 2013 which resulted in lower fuel and spare parts required. Other current assets increased by US\$3.8 million due mainly to deposits of US\$3.3 million placed for purchase of a set of tugboat and barge to be delivered in Jul 2014 and higher prepaid insurance expense of US\$0.5 million for our fleet of tugboats and barges in Indonesia.

Investments in associates decreased by US\$0.1 million mainly due to losses incurred from chartering a FSO vessel in FY2014Q1 which was partly offset by profits generated by the existing FSO vessel in FY2014Q2. The decrease in property, plant and equipment of US\$29.4 million from US\$116.6 million as at 31 December 2013 to US\$87.2 million as at 30 June 2014 was mainly due to reclassification of panamax vessels under joint ventures from non-current assets to current assets held for sale and depreciation charges during the period under review which was partly offset by drydocking costs capitalized.

The increase in trade and other payables from US\$18.5 million as at 31 December 2013 to US\$21.8 million as at 30 June 2014 was due to payment of operating and management fees of vessels under joint venture with Zhushui was put on hold until the revenue collection is received from charterer. This arrangement was made possible as the charterer and ship manager are related companies of Zhushui. Total borrowings (current and non-current) decreased by US\$9.2 million from US\$64.0 million as at 31 December 2013 to US\$54.8 million as at 30 June 2014. The decrease was mainly due to instalment repayments of finance lease obligations and bank loans during the period under review. Also, the net sale proceeds of US\$3.3 million received from disposal of the capesize vessel was fully utilized to repay portion of the loan obtained to finance the vessels under joint venture with Zhushui.

Net cash generated from operating activities amounted to US\$0.8 million which was partly offset by net cash used in investing activities and financing activities of US\$3.5 million and US\$1.9 million respectively. Cash used in investing activities was mainly for deposits placed for a set of tugboat and barge as well as drydocking expenditures incurred for existing fleet of tugboats and barges. Cash used in financing activities was for repayments of bank loan, finance lease obligations and interest. Arising from the above, the Group generated a net decrease in cash and cash equivalents of US\$4.6 million from US\$8.8 million as at 31 March 2014 to US\$4.2 million as at 30 June 2014.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

For tugboats and barges in Indonesia, the Group will continue to work closely with existing major customers to keep the vessel fleet efficiently deployed. The Group expects demand from its major customers to provide sustainable cargo volume to keep its vessels fully deployed.

For the two panamax vessels under joint venture, the Group's joint venture company, Seroja Zhushui 5 Shipping Limited, has entered into a Memorandum of Agreement on 25 July 2014 to sell one panamax vessel. The Group will further explore options for the other panamax vessel so as to optimize returns for its joint venture.

The Group had entered into a sale and purchase agreement on 24 July 2014 to dispose of its 50% equity stake in a subsidiary company, Seroja Shipping Services Pte Ltd for a consideration of US\$2 million as announced through SGXNet on the same date. The transaction is expected to have a positive impact on the earnings per share and net asset value per share for the Group for the current financial year ending 31 December 2014. The net proceeds from the disposal will be used to repay bank borrowings with the balance for working capital purpose.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended during the period under review.

13. Interested Person Transactions

Name of Interested Persons	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate (excluding transactions less than S\$100,000) pursuant to Rule 920
	US\$ '000	US\$ '000
Freight charter revenue from PT Adaro Indonesia	-	9,177

CONFIRMATION BY THE BOARD ON FINANCIAL RESULTS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the Second Quarter Results of the Group for the financial period ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Husni Heron
Director

Masdjani
Director

By Order of The Board

**Husni Heron
CEO**

13 August 2014