

A NEW HORIZON

ANNUAL REPORT 2019



SEROJA
INVESTMENTS LIMITED

Company Registration No. 198300847M

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Corporate Profile

We are principally engaged in the provision of vessel chartering services to transport dry bulk cargo. As at 31 December 2019, we own and operate a fleet of 72 vessels consisting of tugboats and barges which mainly navigate waters around the Indonesian archipelago.

Our tugboats and barges are used to transport mainly thermal coal, sand and other quarry materials, with the transport of thermal coal from coal mines to thermal power stations and cement companies which operate their own thermal power plants in Indonesia. Our major customers include PT Maritim Barito Perkasa which provides logistic services to PT Adaro Indonesia, a leading coal producer in Indonesia, and PT Indocement Tunggul Perkasa, one of Indonesia's largest cement producers. We enter into freight or time charters which range from a period of one to five years. Our freight charters typically involve domestic routes in Indonesia from Kalimantan to various ports in Java and Sulawesi while our time charters involve mainly domestic routes around the Sumatra Island.

Our fleet of tugboats and barges is relatively young with an average age of less than 16 years which is the estimated useful lives of such vessels under normal wear and tear conditions. All of our tugboats are equipped with Global Positioning System (GPS) to assist in deploying our vessels more efficiently as the GPS enables us to track and monitor the routes and locations of our vessels on a real time basis.



Chairman's Message

Dear Valued Shareholders,

On behalf of the Board of Directors of Seroja Investments Limited (the "Company" or the "Group"), I am pleased to present to you the Annual Report of the Group for the financial year ended 31 December 2019 ("FY 2019").

The Group achieved profit after tax attributable to shareholders of US\$1.9 million in FY2019 as compared to profit after tax attributable to shareholders of US\$0.8 million in FY2018. However, the profit was contributed by discontinued operations of the Group and excluding such contribution, the Group incurred a net loss attributable to shareholders arising from continuing operations of US\$0.9 million in FY2019 as compared to a net loss of US\$0.8 million in FY2018.

On 15 August 2019, the Company entered into a conditional sale and purchase agreement to dispose of the entire issued and paid up share capital of Trans LK Marine Pte. Ltd. ("TLM") for an aggregate consideration of US\$32,160,000 to Mr Masdjan who is a Director and also the Chief Operating Officer of the Group. The Company has appointed Cushman and Wakefield to prepare an independent valuation of TLM and its subsidiaries and also engaged W Capital Markets Pte. Ltd. to act as independent financial advisors to opine on whether the terms of the proposed disposal are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

As the existing operating business and business assets of the Group are under TLM, the Company will cease to have any operating business and will be deemed a cash company under Rule 1018 of the Listing Manual upon successful completion of the proposed disposal. A new horizon awaits the Company once the proposed disposal is realised. With the net proceeds from the disposal, the Company will have the means to negotiate for investment opportunities which can provide sustainable long-term growth and generate value for shareholders of the Company.

The global economy will be negatively impacted by the current and ongoing novel coronavirus ("Covid-19") pandemic with several countries under lockdown to contain the virus. The Group needs to ensure all staff will take necessary measures to not get infected with the virus when performing work in their workplace. A healthy work environment is critical to the Group as it is important for our staff to have peace of mind when working which will also result in higher productivity.

The Company will be monitoring the Covid-19 situation closely as it is still evolving and no one knows when the worst will be over. As a socially responsible corporation, the Company will work with all its stakeholders to reduce the impact from the Covid-19 pandemic. Once the Covid-19 pandemic runs its course, the Company will emerge better and stronger to face any upcoming challenges and opportunities.

To my fellow Directors, management and staff, I would like to extend my heartfelt thanks for their dedication and contributions. Last but not least, I would also like to thank our valued shareholders for their continuing support and confidence in the Group.

Edwin Soeryadjaya

Chairman

Board of Directors

Mr Edwin Soeryadjaya

Chairman

Mr Edwin Soeryadjaya is the Non-Executive Chairman and also Non-Executive Director of the Group. His current chairmanships include being President Commissioner of PT Saratoga Investama Sedaya Tbk, PT Tower Bersama Infrastructure Tbk, PT Adaro Energy Tbk, PT Mitra Pinasthika Mustika Tbk and PT Merdeka Copper Gold Tbk. He is also the Non-Executive Chairman of Interra Resources Limited, listed on the SGX-ST.

He started his career in 1978 at PT Astra International Tbk, one of Indonesia's largest diversified conglomerates founded by his father. In 1993, he left as Vice President Director and co-founded PT Saratoga Investama Sedaya Tbk, an active investment company focusing on natural resources, infrastructure and consumer products.

Aside from serving on various boards of the Saratoga Group, Mr Edwin Soeryadjaya remains active as Co-Founder of William & Lily Foundation and is on the Board of Trustees of the Ora et Labora Foundation and Prasetiya Mulya Foundation amongst others. He is also a board member of Habitat for Humanity International.

Mr Andreas Tjahjadi

Executive Director

Mr Andreas Tjahjadi has been re-designated from Non-Executive Director to Executive Director with effect from 6 March 2015. He has no other listed company directorships. He is also President Director of our subsidiaries, PT PSJ and PT PSJP since 2014.

He started out in the USA as a real estate associate with California Business and Industry Northridge from 1978 to 1981 and then as a General Manager with North Hollywood Auto and Service, North Hollywood, California from 1982 to 1990. Mr Tjahjadi subsequently returned to Indonesia.

From 1991 to 2009, he was the President Director at PT Japirex, a company engaged in the export of rattan products. From 1994 to 1997, Mr Tjahjadi was Commissioner of PT Bhuwanatala Indah Permai Tbk, a property management company listed on the Indonesia Stock Exchange.

In 2006, Mr Tjahjadi became the President Commissioner of PT Mitra Investindo Tbk, an oil and gas and mining company listed on the Indonesia Stock Exchange. He was re-designated from President Commissioner to Commissioner with effect from 25 June 2014 and subsequently resigned as Commissioner with effect from 6 September 2018. Mr Tjahjadi graduated from Northrop University in the USA with a Bachelor's degree in Engineering Technology in 1976. He subsequently obtained his Masters of Science (Marketing), Northrop University in 1978.

Mr Masdjan

Executive Director

Mr Masdjan is the Chief Operating Officer of the Group and has no other listed company directorships. He was Director of our subsidiaries, PT PSJ and PT PSJP from 1999 to 2014 and a Commissioner of our associated company, PT Sinar Mentari Prima since 2014. Mr Masdjan is the founder of the PSJ Group and is currently responsible for managing the Group's day-to-day activities.

From 1993 to 1998, Mr Masdjan was the director of PT Sumber Matra Kencana, a crude palm oil shipping company where he was responsible for the management of the company. In 1999, he founded PT PSJ and was instrumental in formulating business strategies and spearheading the growth of its business.

Mr Ng Soon Kai

Non-Executive Director

Mr Ng Soon Kai is a Non-Executive Director. He is also a Non-Executive Director of Interra Resources Limited which is listed on the SGX-ST. Mr Ng is a lawyer by profession and is currently a partner in Messrs Lee & Lee. He has vast experience in mergers and acquisitions, corporate restructuring, reverse takeovers and schemes of arrangement. He obtained Second Class Upper Division Honours in Law from the National University of Singapore in 1989.

Board of Directors

Mr Yap Kian Peng

Independent Director

Mr Yap Kian Peng is an Independent Director of the Group. He is presently an Executive Director and Deputy Chairman of Jackspeed Corporation Limited which is listed on the SGX-ST. He is also an independent director and the Chairman of the Audit Committee of M Development Limited, listed on the SGX-ST and an independent director of Soon Lian Holdings Limited which is listed on the SGX-Catalist.

Since 2005, he has been the Executive Director of Capital Equity Holdings Pte Ltd, a private equity investment company and has interests in food and beverage as well as property investment and development. He was the Executive Director of CKG Chemicals Pte Ltd from 2004 to 2010. From 2001 to 2004, he was employed by Maybank, initially as a Senior Business Development Manager and subsequently as the Team Head of the Trade Finance Business Development Group. From 1998 to 2000, Mr Yap was a Director of You Yi Glass Contractor Pte Ltd, a company engaged in the business of trading glass sheets.

He joined Oversea-Chinese Banking Corporation Limited in 1992 and when he left in 1998, he was an Assistant Manager at the bank. Mr Yap graduated from RMIT University, Australia, with a Bachelor's degree in Business (Business Administration).

Mr Ng Yuen

Independent Director

Mr Ng Yuen is an Independent Director of the Group and has no other listed company directorships. He is currently a partner in Messrs Malkin & Maxwell LLP, which he joined in 1999. Mr Ng started his career as a State Counsel in the Attorney-General's Chambers in 1986. He was subsequently called to the Bar in 1989 and has been in private practice since, starting at Messrs Lee & Lee from 1991 as an associate, and later at Messrs Shook Lin & Bok LLP from 1992 to 1999 after being made a partner.

Mr Ng graduated from the Law Faculty of the National University of Singapore, with a Bachelor's degree in Law in 1985. He is an accredited adjudicator of the Singapore Mediation Centre and an accredited arbitrator with the Singapore Institute of Arbitrators, as well as a member of the Law Society of Singapore and the Singapore Academy of Law.

Mr Low Chee Chiew

Independent Director

Mr Low Chee Chiew is an Independent Director of the Group and has no other listed company directorships. He is a Director of Xi Er Trading Pte Ltd since 2011 and a Director of Blue Ocean Waste Management Pte Ltd since December 2018. He was an Independent Director of Jubilee Industries Holdings Ltd from 2014 to 2016.

Mr Low was a private banker with Malayan Banking Berhad Singapore ("Maybank") from 2011 to 2016 and was responsible for the acquisition of new to bank, high net worth clients from the North Asia region and ASEAN countries. His responsibilities include building and establishing the right platform and specific requirements for the different clients.

From 2007 to 2010, he was the Executive Director of 8i Technology Pte. Ltd. which was a set up via Spring SEEDS Capital which assisted incumbents in obtaining funding locally, providing research details and facilitated customer acquisitions whereby much of the work related to dealing with agencies or agencies of the Singapore Government via contacts and industry networks. Mr Low was Director of Sales for Asia at Innovex Inc (Nasdaq listed company) from 2000 to 2009. He had led teams across Asia in sales, marketing and customer service, establishing account management and training for local staff (proximity service).

Mr. Low has more than 20 years of experience in sales and marketing fields holding various positions in different environments. He holds a Bachelor of Business (Marketing) from La Trobe Melbourne being conferred Golden Key International Honors and is a member of the Singapore Institute of Directors.

Operations and Financial Review

Operations and Financial Review

As announced through SGXNet on 15 August 2019, the Company has entered into a conditional sale and purchase agreement to dispose of its entire shareholding in Trans LK Marine Pte. Ltd. ("TLM"). Upon the disposal of the entire operation and business assets under TLM, there will be no business operation and the group will mainly have administrative expenses incurred by its office in Singapore. Accordingly, the results of TLM Group are reclassified under discontinued operations and corresponding figures in prior year are restated to reflect the reclassification. The results from continuing operations and discontinued operations for FY2019 are presented below in more detail.

Continuing operations

The increase in loss from continuing operations by US\$0.1 million from US\$0.8 million in FY2018 to US\$0.9 million in FY2019 was mainly due to higher administrative expenses incurred in relation to the disposal exercise as abovementioned.

Discontinued operations

Profit from discontinued operations increased from US\$3.2 million in FY2018 to US\$5.2 million in FY2019 was mainly due to:-

- increase in gross profit of US\$0.8 million from US\$6.9 million in FY2018 to US\$7.7 million in FY2019. The increase in gross profit was mainly due to higher revenue from more shipments made to existing customers which is partly offset by higher costs incurred to service the vessel fleet;
- increase in other gains of US\$0.7 million in FY2019 due to foreign currency exchange gain of US\$0.4 million and interest income of US\$0.3 million;
- additional interest amortised for financing loan was net off against interest expense of about US\$0.2 million in FY2019 which results in nil interest expense in FY2019 as compared to interest expense of US\$0.7 million in FY2018; and
- the above is partly offset by higher administrative expenses of US\$0.1 million from US\$2.6 million in FY2018 to US\$2.7 million in FY2019 due to more travelling and entertainment expenses incurred to negotiate contracts with customers.

Arising from the above, net profit attributable to equity holders of the Company increased from US\$0.8 million in FY2018 to US\$1.9 million in FY2019. Total comprehensive income attributable to equity holders of the Company also increased from US\$0.7 million in FY2018 to US\$2.0 million in FY2019.

The Group's earnings per ordinary share in FY2019 was 0.48 US cents as compared to earnings per ordinary share of 0.20 US cents in FY2018. Net asset value per ordinary share increased from 7.27 US cents in FY2018 to 7.78 US cents in FY2019.

Financial Position

The Group's non-current assets decreased from US\$56.8 million as at 31 December 2018 to nil as at 31 December 2019 as all fixed assets under the disposal group was reclassified as current assets under assets of disposal group classified as held-for-sale and investments in associated companies decreased to nil as a result of capital reduction and subsequent impairment to fully write down the remaining cost of US\$26k to nil as such associated companies have no business activities and are currently dormant. Accordingly, current

Operations and Financial Review

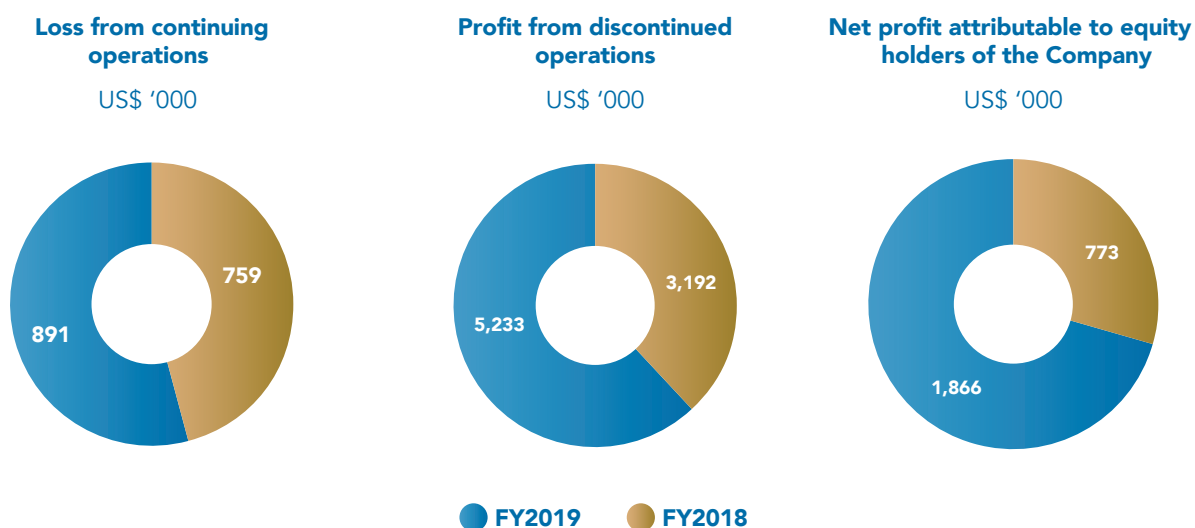
assets increased from US\$17.7 million as at 31 December 2018 to US\$76.7 million as at 31 December 2019 as all current assets and non-current assets of the disposal group were reclassified to assets of disposal group classified as held-for-sale.

Similarly, non-current liabilities decreased from US\$0.9 million as at 31 December 2018 to nil as at 31 December 2019 as all such liabilities were reclassified as current liabilities under the liabilities directly associated with disposal group classified as held-for-sale. The current liabilities decreased from US\$9.3 million as at 31 December 2018 to US\$8.4 million as at 31 December 2019 due to instalment repayment of bank loans and finance lease obligations by the disposal group during the year under review.

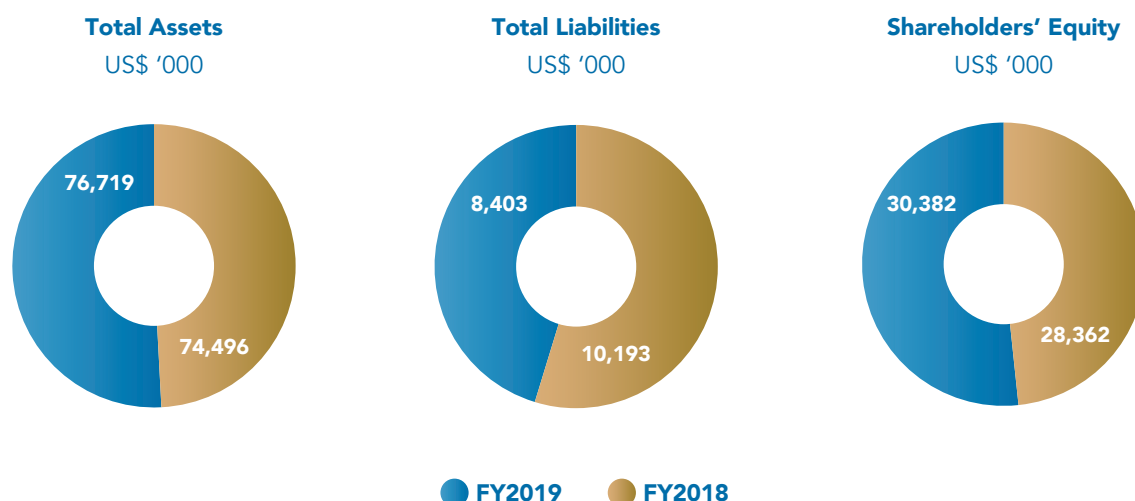
Net cash provided by operating activities amounted to US\$16.6 million which was partly offset by net cash used in investing activities and financing activities of US\$5.8 million and US\$3.1 million respectively. Net cash used in investing activities was for purchase of vessels and drydocking expenditures, payment to non-controlling interests of a subsidiary corporation, Seroja Shipping Services Pte Ltd arising from capital reduction and payment to non-controlling interests of another subsidiary, PT Pulau Seroja Jaya arising from dividends declared which is partly offset by a security deposit received of US\$2.0 million for the proposed disposal as abovementioned and receipt of US\$0.3 million from capital reduction of associated companies. Net 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 increase in cash and cash equivalents of US\$7.7 million from US\$4.8 million as at 31 December 2018 to US\$12.5 million as at 31 December 2019.

Financial Highlights

Profit and Loss Statement Review

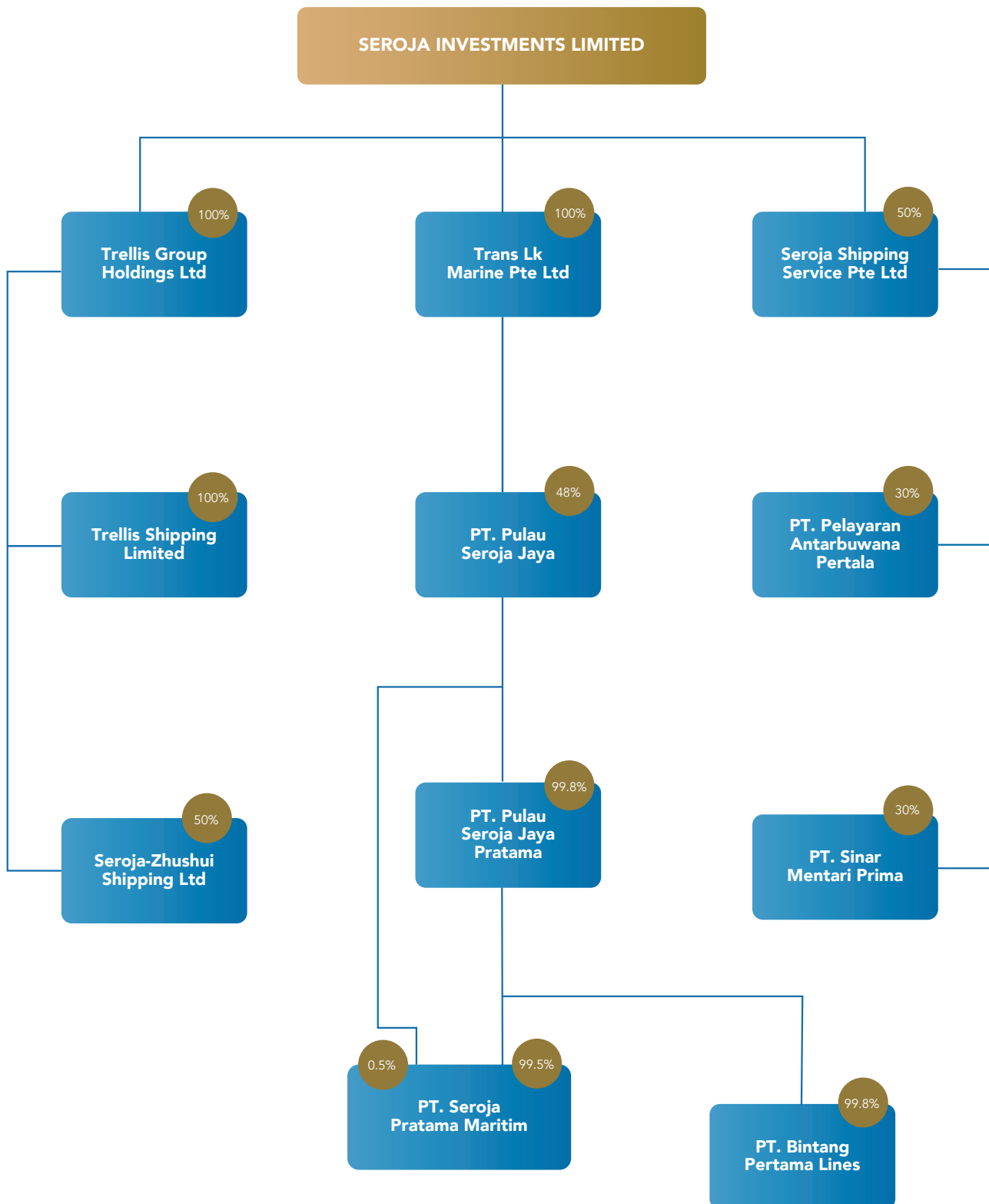


Balance Sheet Review



Per share data	FY2019	FY2018
Earnings – Basic (US cents)	0.48	0.20
Net tangible assets (US cents)	7.78	7.27

Group Structure



Corporate Information

Board of Directors

Edwin Soeryadjaya, Non-Executive Chairman
Masdjan, Chief Operating Officer
Andreas Tjahjadi, Executive Director
Ng Soon Kai, Non-Executive Director
Yap Kian Peng, Independent Director
Ng Yuen, Independent Director
Low Chee Chiew, Independent Director

Audit Committee

Yap Kian Peng, Chairman
Edwin Soeryadjaya
Ng Yuen

Nominating Committee

Ng Yuen, Chairman
Edwin Soeryadjaya
Yap Kian Peng

Remuneration Committee

Yap Kian Peng, Chairman
Edwin Soeryadjaya
Ng Yuen

Company Secretary

Adrian Chan Pengee

Independent Auditor

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
80 Robinson Road #25-00
Singapore 068898

Director-in-charge

Chan Siew Ting
(appointed from financial year ended 31 December 2016)

Principal Place of Business

15 Scotts Road
#08-05 Thong Teck Building.
Singapore 228218
Tel: (65) 6438 4221
Fax: (65) 6438 8782

Registered Office

50 Raffles Place
#06-00 Singapore Land Tower
Singapore 048623
Tel: (65) 6220 0666
Fax: (65) 6557 4899

Company Registration Number

198300847M

Registrar

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

Principal Bankers

UOB Limited, Singapore
Maybank Singapore Limited
PT. Bank UOB Buana

Sustainability Report 2019

MESSAGE FROM THE CHAIRMAN

On behalf of the Board, I am delighted to present the Sustainability Report (the “Report”) of Seroja Investments Limited (“Seroja” or the “Company”) for FY2019, with reference to the Global Reporting Initiative (“GRI”) Standards 2016: Core Option and in alignment with the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Rules – Sustainability Reporting Guide.

Seroja recognized the growing expectations and importance of stakeholders’ concerns and is focused on sustainable practices to be resilient in the long run. We are committed to conduct our businesses in a socially responsible manner while creating value for all our stakeholders. We will continue to play our part in making a difference for a better tomorrow.

As part of our business strategy, the Board have worked together in determining the Group’s material Environmental, Social and Governance (ESG) factors for Financial Year 2019. The ESG factors are strategically chosen and assessed to contribute significant impact to our stakeholders.

ABOUT THIS REPORT

The Board emphasizes on providing best sustainability practices and how they can contribute significantly to our business operations and overall performance. We are strongly committed to adopt the best sustainability practices to steer the Group towards better prospect and growth in the long term.

Reporting Boundaries and Standards	<ul style="list-style-type: none">• Materiality: focusing on issues that impact business growth and are of utmost importance to stakeholders;• Stakeholder Inclusiveness: responding to stakeholder expectations and interests;• Sustainability Context: presenting performance in the wider context of sustainability; and• Completeness: including all information that is of significant economic, environmental and social impact to enable stakeholders to assess the Group’s performance.
Report Period and Scope	This report covers data and information from 1 January 2019 to 31 December 2019. This report has been prepared in accordance to the GRI Standards: Core Option.
Accessibility and Feedback	<p>The electronic copy of the report is available at: www.seroja.com.sg</p> <p>We are committed to listening to our stakeholders and we look forward to your feedback.</p>

Sustainability Report 2019

ORGANISATIONAL PROFILE

Background

Seroja Investments Limited is an established investment holding company which was incorporated in 1983 and is based in Singapore. Our business is mainly through an indirectly owned subsidiary corporation, PT Pulau Seroja Jaya which is based in Indonesia. The principal activities of PT Pulau Seroja Jaya are the provision of marine transportation of drybulk freight. The Group operates through Freight Charter and Time Charter segments. Services provided by the group are chartering services of tugboats and barges primarily to transport dry bulk freight comprising thermal coal, sand, and other quarry materials. As of 31 December 2019, we own and operate a fleet of 72 vessels consisting of tugboats and barges, which primarily navigate waters around the Indonesian archipelago.

The Group primarily provides marine transportation services to coal and cement producers. Our major customers include PT Maritim Barito Perkasa which provides logistic services to PT Adaro Indonesia, a leading coal producer in Indonesia and PT Indocement Tungal Perkasa, one of Indonesia's largest cement producers. We enter into freight or time charters which range from spot basis to contractual basis from a period of one to five years. Our freight charters typically involve domestic routes in Indonesia from Kalimantan to various ports in Java and Sulawesi while our time charters involve mainly domestic routes around the Sumatra Island.

In order to deploy our vessels in an efficient manner, our tugboats are equipped with Global Positioning System (GPS) to enable us to track and monitor the routes and locations of our vessels on a real time basis.

Enterprise Risk Management ("ERM")

Enterprise Risk Management ("ERM") framework are in place to manage and address any identified risks and capture opportunities in order to meet the objective of the Group. By addressing the risks identified, stakeholders will be more assured and well-protected. The key risks and impacts are identified as follows:

- Availability Risk - due to weather conditions and possible delay on regular docking activities and the impact may cause the Group in loss of revenue and profitability.
- Customer/Market Risk - finding the right customers who can provide sufficient volume and timely payment of services, down payments are now uncommon due to market conditions and the impact may also cause the Group in loss of revenue, profitability and liquidity.
- Operational Risk - increasing downtime due to repairs and maintenance and may cause the Group in loss of revenue and profitability.
- Reputation Risk - due to possible incidents/ accidents with our vessel fleet and impact may cause the Group in loss of revenue, profitability and business relationship.

Mission and Vision Statement

As a preferred supplier of tugboats and barges chartering to transport dry bulk freight in Indonesia for our selected customers, PT Pulau Seroja Jaya and its subsidiary corporations will continue to exceed expectations of delivering quality transportation service experience with passion and pride; and create value to all of our key stakeholders, including our customers, employees, shareholders and regulators.

Sustainability Report 2019

ORGANISATIONAL PROFILE

Governance Structure

The Board of Directors that are managing the Group have the relevant core competencies and years of experiences. The following are the members in the Board of Directors.

Seroja Investments Limited

Board of Directors

Edwin Soeryadjaya, Non-Executive Chairman
Masdjan, Chief Operating Officer
Andreas Tjahjadi, Executive Director
Ng Soon Kai, Non-Executive Director
Yap Kian Peng, Independent Director
Ng Yuen, Independent Director
Low Chee Chiew, Independent Director

Audit Committee

Yap Kian Peng, Chairman
Edwin Soeryadjaya
Ng Yuen

PT Pulau Seroja Jaya

President Commissioner

Moekhlas Sidik

Commissioners

Ng Soon Kai
Fatmawati
Husni Heron

Nominating Committee

Ng Yuen, Chairman
Edwin Soeryadjaya
Yap Kian Peng

Remuneration Committee

Yap Kian Peng, Chairman
Edwin Soeryadjaya
Ng Yuen

President Director

Andreas Tjahjadi

Directors

Boby Susanto
Dading T. Soetarso

Sustainability Report 2019

ORGANISATIONAL PROFILE

Supply Chain Management

Our suppliers are extensively sourced and stringently evaluated to ensure that they meet the established reporting requirements and guidance for procurement practices and due diligence. We will carefully evaluate the suppliers to ensure that they are ethical, cost-effective and responsible suppliers who meet our expectations of goods delivered. The Group will continue to seek for new and innovative ways to better manage the suppliers.

External Initiatives

The Group believe in contributing to the community through positive and sustainable changes. We are constantly coming up with new activities that could benefit and improve our environment. We continue to contribute to the society such as gatherings during the religious holidays in our surrounding area to build sustainable relationships with the communities. It is our intention that we will develop new sustainable programs that could extend and benefit the society as a whole.

GOVERNANCE & SUSTAINABILITY APPROACH

Continual Commitment to Enhance Corporate Governance

Our Board of Directors (the "Board") is committed to maintaining a high standard of corporate governance and transparency within the Group to protect the interests of its shareholders and enhance long-term shareholder value. The Group's corporate governance processes and practices have been discussed in this report. The Group has adopted the Code of Corporate Governance 2018 (the "Code"), with specific reference to the principles and guidelines stated in the Code.

The Group will strongly comply with the principles and guidelines stated in the Code with explanation provided if there is any deviation from the guidelines.

Whistle Blowing Policy

Whistle blowing framework is in place to protect the identity of the employees who can be well-assured to report, without fear of reprisal, concerns about possible improprieties in matters of financial reporting or other matters. The policy is to assist the Audit Committee in managing allegations of fraud or other misconduct; disciplinary and civil actions that are initiated following the completion of the investigations are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

Sustainability Approach

Senior management of the Group will conduct a periodic assessment on the key areas that will have significant impact on the stakeholders as well as contributing to economic, environmental and social impact. Senior management will engage in ongoing communication with the Board of Directors to keep them informed of any material issues causing negative impact and will formulate strategies to resolve such issues.

Sustainability Report 2019

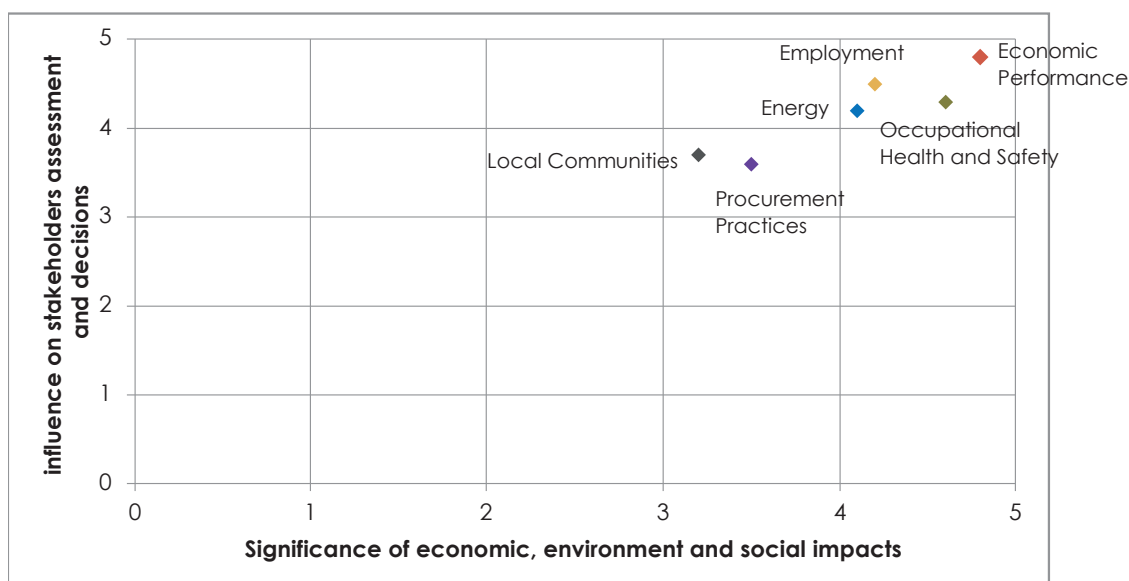
STAKEHOLDERS ENGAGEMENT

Seroja Investments Limited is open to feedback and participation from our stakeholders. Feedback will be well taken into consideration and incorporated into the Group's plans and actions where appropriate and relevant.

Stakeholder Groups	Engagement Method(s)	Frequency
Employees	Staff communication session, internal newsletter, annual meeting	Monthly and Annual Gathering
Customers	Products catalogue, sales presentations, enquiry and feedback channel, customer service hotlines, business networking	Ongoing, on regular basis as required
Suppliers and Sub-contractors	Quotations, request for proposal, tenders, periodic meetings, site visit, supplier evaluation	Ongoing, on regular basis as required
Shareholders	Annual meetings, board meetings, circulars to shareholders	Quarterly basis, Annual Shareholders Meeting
Government and Regulators. • Ministry of Transportation • Ministry of Manpower	Discussions and documentation requirements (for classification) with government agencies and departments	Ongoing, on regular basis as required
Community	Public communications with the investors, corporate advertisements	Once a year, as required

MATERIAL TOPICS

Based on the insightful feedback received from external and internal stakeholders, we have identified various factors that we believe should be the main focus and should be prioritised. These factors are reflected in the Materiality Matrix below.



Sustainability Report 2019

Sustainability Topics Selected:

1. Economic performance
2. Energy
3. Employment
4. Occupational Health and Safety
5. Local Communities
6. Procurement Practices



ECONOMIC PERFORMANCE

Financial Highlights

On 15 August 2019, Seroja Investments Limited entered into a sale and purchase agreement to dispose of its entire shareholding in Trans LK Marine Pte Ltd ("TLM"). As TLM owns the existing business and business assets of the Company, the Company will cease to have any operating business upon the completion of the proposed disposal. Based on SFRS(I) 5, the Group's results in the comprehensive income statement will be classified under continuing operations and discontinued operations.

Net profit attributable to shareholders increased from US\$0.8 million in FY2018 to US\$1.9 million in FY2019 due to higher profits from discontinued operations in FY2019 as compared to FY2018. Please refer to pages 5 to 7 of Seroja Investments Limited's FY2019 Annual Report for review and further details on its financial performance.

Pending the completion of the proposed disposal, the Company will be looking into acquiring potential business assets which can provide sustainable long term growth for the Company and generate value for the stakeholders. The Company will make further announcement through SGXNet to update stakeholders as and when there are any material developments in this matter.

Sustainability Report 2019

ENERGY

Our fleet of vessels rely heavily on fuel as energy for daily operations. To improve on operational efficiency, we need to better manage our energy and resources on hand and to take necessary measures to control and reduce our fuel usage.

The table below shows the fuel usage in FY2019 and FY2018.

Key Focus Area	FY2019	FY2018
Fuel usage	22.9 million litres	21.7 million litres

The overall fuel usage was higher in FY2019 as compared to FY2018 due to more shipments to certain major customers with an additional tugboat purchased to service such customers. The higher fuel usage is also in line with the higher revenue generated in FY2019 as compared to FY2018.

We further extend our initiative in conserving energy by encouraging energy savings in the office with the participation of our employees. We have communicated the energy saving initiatives to all employees which include switching off air-conditioners after office hours and ensuring that all unessential switches have been switched off after office hours. It is the responsibility of all staff to continuously reduce the level of electricity usage to conserve energy.

EMPLOYMENT

Our employees are one of the most important assets to our Group. We believe in providing equal opportunities to each employee and training our employees to perform at their fullest capacity. Our Group recruits employees from diverse backgrounds and with relevant experience to meet our customers' expectations. Our hiring policies are of a certain level of transparency and fairness to all employees.

Our people

All the contributions and efforts of our employees are recognised and rewarded. We constantly review our compensation package in order to remain competitive and attractive in the market.

The tables below present the employees' profile for FY2018 and FY2019.

Description	2019		2018	
	Male	Female	Male	Female
Number of employees	90	21	86	21
Number of permanent employees	85	21	81	21
Number of temporary employees	5	0	5	0
Number of new employees	12	0	2	4
Turnover of resigned employees	8	0	10	2
Turnover Rate	8%	0%	9%	2%

Age categories	2019		2018	
	Permanent	Contract	Permanent	Contract
Age below 30	19	2	13	2
Age 30 - 50	69	2	76	2
Age above 50	18	1	13	1
Total	106	5	102	5

Employee turnover rate remains relatively stable and low over the two year period. With the current employment policies, we are confident that our employees will feel a sense of self-worth and value to the Group. We will continue to review our policies to achieve more conducive work environment and provide equal opportunities to all age groups.

Sustainability Report 2019

OCCUPATIONAL HEALTH & SAFETY

A safe and healthy workplace is of utmost importance to the Group. Policies and procedures under the QHSE Management System and Resources are in place to encourage employees in adopting a culture of individual commitment towards improving work safety practices.

The system for managing health and safety is also in place to identify any safety hazards and mitigate risks. Such measures include:

1. Providing relevant workplace health and safety trainings

The Group ensures that there is effective communication to support and monitor processes. Training Awareness Programmes are also organised for our employees to continuously improve their safety management skills, including preparation for emergencies related to safety and the environment. Employees are trained to be familiar with the Environmental Standard and evaluation techniques.

2. Identifying potential hazards and risk management

This procedure relates to health and safety aspects of work activities, the process of estimating the magnitude of risk and deciding on the actions to be taken to minimise a risk. The 5 stages of risk management include identifying the work activity/process, identifying the potential hazards of the process/activity, identifying the likely severity of each hazard and assess its significance, assessing effect of controls on likelihood of occurrence and documenting the findings. The information collected will be recorded and used as case studies for relevant training.

3. Monitoring the implementation of safety rules

The process of monitoring the implementation of safety rules includes identifying important processes, enabling effective communication and ensuring the safety of personnel, contractors and interested parties to prevent human injuries, loss of life and damage to the environment.

4. Establishing and analysing the reports related to accident/incidents that occurred

The Group will analyse the reasons for causing a shipboard emergency. The accidents/incidents may include abandoning ship, collision, grounding, fire, structural failure, main engine failure, medical assistance, spillage and pollution and other unforeseen events.

5. Identifying preventive and correctives actions to prevent re-occurrence

The Group establishes procedures for the implementation of corrective action and measures intended to prevent recurrence. The Group has come out with structured and rapid response that are within the framework of the Group's response plan. All members of the Emergency Response Team are responsible for ensuring that the emergency response plan is available to them at all times.

6. Compliance of all laws and regulations in place

The Group will endeavour to ensure that all relevant Environmental and OH&S Legislation and applicable Rules and Regulations have been identified and form part of the normative (technical) reference in the Library. All applicable Legislation documented in the Environmental and OH&S Legislation Reports are regularly reviewed to keep abreast of changes to Legislation and operational activities.

Furthermore, employees should also play their role in ensuring and protecting their health and safety at workplace. In order to achieve a safe work environment, management and employees should work hand in hand.

Based on the incident/accident report, there was a decrease of 9% for accidents or injuries suffered by our employees. We have identified various preventive and corrective actions such as internal audit ISM code, vessel inspection, safety flash, marine incident report (result investigation), contingency plan, plan maintenance system (PMS), emergency drill, training on-board, permit to work (PTW), risk assessment (R.A) and material safety data Sheet (MSDS) to prevent any accidents/incidents from occurring. Moving forward, we hope to continue to provide a safe environment for our employees and strengthen our current QHSE system so as to achieve no or low accident rate.

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LOCAL COMMUNITIES

Apart from maintaining good relationship with our customers, the Group is committed to making a difference to the well-being of the community through events and engaging the public. We want to build mutual relationship with the local community to manage the surrounding of our business. We work closely with our business partners and government authorities to establish community goals.

Our main activities are mostly conducted during the month of Ramadhan and other religious holidays. Some activities that the Group had organised during the period under review.

S/N	Events/Activities	Description
1.	Annual Employee Gathering	Employees will participate with the local community for team work activities.
2.	Fasting month gathering during Lebaran holiday	Invite local community for celebration.

These activities are able to take place with the help and time volunteered by our employees as they are willing to contribute to the community. The Group will continue to look into possible areas in developing events/activities that could constantly engage with the public.

We intend to explore new opportunities such as building residential houses in Banjarmasin – Kelanis route with established NGOs who are able to provide the necessary support. We will need to find a reliable partner and conduct feasibility studies before embarking on such a project.

PROCUREMENT PROCEDURES

The Group believes that a good and well-managed procurement practice is critical to its success, in terms of operational efficiency and financial results. We constantly monitor our major suppliers and ensure that such suppliers whom we source from are able to fulfil the critical needs of our operations.

Purchases are handled by our professional procurement team in a fair and objective manner. Throughout the years, we continuously build a long-lasting relationship with our suppliers and strengthen our mutual trust. When we make any purchase, we ensure that our vessels receive the proper goods and spare parts as per our purchase order on timely basis so that our operations will not be disrupted.

A proper system has been implemented to ensure effective and efficient purchase of goods under our supply chain. Our procurement personnel are familiar with all the process requirements to enable our operation to run smoothly. However, sometimes we are faced with challenges in timely delivery of goods due to the different routes of the vessels and close monitoring of the vessels' location is needed. The procurement team will look into and determine whether it is an operational or procurement issue when goods are not received on time and take necessary measures to speed up the process of receiving the purchased goods.

To ensure prompt delivery of supplies, we have worked closely with major suppliers to cut down on downtime with proper communication by leveraging on technology. We will continue to explore channels to reduce delivery time through the use of technology so that goods are delivered on a timely manner to support operations and enable our vessels to be managed more effectively and efficiently.

Corporate Governance Report

The Board of Directors (the “**Board**”) is committed to maintaining a high standard of corporate governance and transparency within the Group to protect the interests of its shareholders and enhance long-term shareholder value. This report describes the Company’s corporate governance processes and practices which have been adopted in line with the spirit of the Code of Corporate Governance 2018 (the “**Code**”), with specific reference to the principles and provisions of the Code.

The Company adheres largely to the principles and provisions as set out in the Code, and endeavours to specify and explain any deviation from the Code. Where the Company’s practices vary from any provisions of the Code, this is stated with an explanation of the reason for the variation and an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

BOARD MATTERS

BOARD’S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board has overall responsibility for the corporate governance of the Company so as to protect and enhance long-term shareholder value. It provides leadership, sets the strategic aims of the Company and supervises executive management and monitors their performance. The Directors are fiduciaries who act objectively in the best interests of the company. The Directors recuse themselves and refrain from participating in discussions and decisions in which the Director has an interest or is conflicted. The principal functions of the Board are to:

- (i) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (ii) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the company’s assets;
- (iii) to review management performance;
- (iv) hold management accountable for performance; identify the key stakeholder groups and recognise that their perceptions affect the company’s reputation;
- (v) put in place a code of conduct and ethics, sets appropriate tone from the top and desired organisational culture, and ensures proper accountability within the Company;
- (vi) ensure that obligations to shareholders and other stakeholders are understood and met; and
- (vii) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Directors understand the Company’s business as well as their directorship duties (including their roles as executive, non-executive and independent directors). When a new director is appointed, a formal letter of appointment setting out the terms and conditions of appointment and the director’s duties and obligations will be given to him or her. The Company is responsible for conducting briefing sessions for new directors to enable them to be familiar with the structure and operations of the Group. Existing Directors and key executive officers will be available to answer any queries the new Directors may have of the Company.

Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company’s expense. All Directors will be provided with updates on new laws and regulations affecting the Group’s operating environment through regular meetings conducted as well as email correspondences. Directors are encouraged to attend seminars and participate in discussions to keep themselves abreast of the changes and developments underlying the Group’s business. Visits to operation sites, at the Company’s expense, may be arranged to enable Directors to have a better understanding of the business operations of the Group.

Corporate Governance Report

The Board decides on matters that require its approval. Written guidelines are established to specify which material transactions require the Board's approval, and such guidelines are clearly communicated to management. These transactions include, inter alia, material acquisitions and disposal of assets amounting to 5% or more of the relative figures set out in Rule 1006 of the Listing Manual of the SGX-ST for transactions that are not in the ordinary course of business, share issuances (including stock options or other equity awards), dividends and returns of capital to shareholders.

To assist in the discharge of its duties and responsibilities, the Board has, without abdicating its responsibility, established an Audit Committee, a Nominating Committee and a Remuneration Committee (collectively, the "**Board Committees**") which are all chaired by Independent Directors. These Committees function within clearly defined terms of references and operating procedures setting out their compositions, authorities and duties, including reporting back to the Board. The effectiveness of each Committee is reviewed by the Board on a regular basis. The names of the Board Committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities, are disclosed in the respective sections of the Board Committees under this Corporate Governance Report.

The Board is to meet regularly each year and as warranted by particular circumstances, to review and deliberate on the key activities and business strategies of the Group, being matters reserved for the Board's decision and require the Board's approval, including reviewing and approving significant acquisitions and disposals, reviewing financial performance and to approve the public release of quarterly and annual financial results. Additional meetings may be held when necessary to address significant transactions or issues.

The Company's Constitution provides for meetings to be held via telephone and video conferencing whereby all directors participating in the meeting are able to communicate as a group without requiring the directors' physical presence at the meeting. All relevant information on material events and transactions are circulated to Directors as and when they arise.

The attendance of the Directors at Board Meetings and Board Committee Meetings during the financial year ended 31 December 2019 is set out as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	3	2	1	1
Mr Edwin Soeryadjaya	1	—	—	—
Mr Masdjan	1	1*	1*	1*
Mr Andreas Tjahjadi	3	2*	1*	1*
Mr Ng Soon Kai	3	2*	1*	1*
Mr Ng Yuen	3	2	1	1
Mr Yap Kian Peng	3	2	1	1
Mr Low Chee Chiew	3	2*	1*	1*

* By invitation

Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company. The Nominating Committee is satisfied that all Directors gave sufficient time and attention to the affairs of the Company and were able to and have adequately carried out their duties as a Director of the Company for FY2019.

To enable the Directors to make informed decisions and discharge their duties and responsibilities, the management will provide complete, adequate and timely information in the form of financial reports, budgets, forecasts, board papers, operational updates and any ad-hoc reports prior to meetings and on an ongoing basis. Material variances between actual results and projections or prior results of comparative period in such reports will be disclosed and explained. The Board has unrestricted access to the Company's records and information.

Corporate Governance Report

The Board has separate and independent access to the management, the Company Secretary, key executives of the Company and of the Group and external advisers (where necessary) at the Company's expense at all times in carrying out their duties. The Company Secretary or his representative attends all Board meetings and meetings of the Committees of the Company and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also assists with the circulation of Board papers, updates the Directors on changes in laws and regulations relevant to the Company as well as advises the Board on all governance matters. The appointment and removal of the Company Secretary are subject to the Board's approval.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The composition of the Board enables management to benefit from a broad and objective perspective as each Director brings to the Board a diverse background, experience and knowledge which provide for effective direction for the Group. The Board adopts the Code's definition of what constitutes an Independent Director in assessing the independence of the Directors.

The Board, having considered the views of the Nominating Committee, is of the opinion that the three Independent Directors (who represent more than one-third of the Board) are independent in conduct, character and judgement and that there are no relationships with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company. No individual or small group of individuals dominates the decision making process of the Board. Both Mr Yap Kian Peng and Mr Ng Yuen have served more than nine (9) years on the Board. However, their independence are subject to rigorous annual review by the Board (with both Mr Yap Kian Peng and Mr Ng Yuen recusing from the review). After due consideration, the Board is of the view that Mr Yap Kian Peng and Mr Ng Yuen have continued to demonstrate strong independence in conduct, character and judgement in the discharge of their duties and responsibilities as Independent Directors of the Company.

They have no fear of expressing viewpoints during discussions and made enquiries and challenged management with a view to seeking facts or clarifications on matters discussed. Taking into account above mentioned and that there are no changes in disclosures made by both Mr Yap Kian Peng and Mr Ng Yuen in FY2019, the Board (save for Mr Yap Kian Peng and Mr Ng Yuen) is satisfied that Mr Yap Kian Peng and Mr Ng Yuen continue to be Independent Directors of the Company, notwithstanding that they have served on the Board more than nine (9) years from the date of their first appointment.

The Board noted the provision under the Code that Independent Directors should make up a majority of the Board where the Chairman is not an Independent Director. The Board is of the view that based on current size and operations of the Group as well as the relevant experience and expertise of existing directors in the Board, it is not necessary to have a majority of the Board made up of Independent Directors, but will take the relevant provision into consideration during a review of its succession plans in the next few years.

The Board comprises two Executive Directors, two Non-Executive Directors and three Independent Directors. As such, the five (5) Non-Executive Directors make up a majority of the Board of seven (7) members. This will enable the Board to be more independent in approving decisions made by executive directors and if there is any major dispute, executive directors may not have majority votes of the Board even if the Chairman (non-executive and non-independent) votes in favour of them. The Board and Board Committees are of an appropriate size, and comprise directors who as a group provide an appropriate balance and mix of skills, experience, and knowledge of the Company. The Board Members also provide core competencies such as accounting, finance, business, legal, management experience, industry knowledge and strategic planning experience and hence would be able to provide a balanced view within the Board. The Board

Corporate Governance Report

is aware of the need to implement a board diversity policy in order to broaden the view of diversity when establishing and reviewing board composition, beyond skills, experience, competencies, and knowledge of the Company to include other aspects such as age and gender, so as to avoid groupthink and foster constructive debate. In consideration of the Company's market capitalisation, revenue and industry, the Board places primary emphasis on its core competencies without increasing its size. It will endeavour to include further additional attributes when there is a need to bring in fresh perspectives and enhancements. Key information regarding the Directors is given in the section titled "Board of Directors" in this Annual Report.

The Board considered its current size is adequate and appropriate for effective decision-making, taking into account the scope and nature of the operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board has also assessed that the present composition of the Board allows it to effectively exercise objective judgement independently of the management. The composition and renewal of the Board, including the need for progressive refreshing of the Board, will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate balance and mix of skills, knowledge, expertise, experience and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate and possesses the necessary competencies for effective decision making.

The Non-Executive and Independent Directors make active contributions during and outside of Board meetings. The Non-Executive Directors constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The Non-Executive and Independent Directors communicate amongst themselves and with the Company's auditors and management. When necessary, the Company will coordinate informal meetings for Non-Executive and Independent Directors for discussions without the presence of management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The roles of the Chairman and Chief Executive Officer ("CEO") are undertaken by two separate persons who are not related to each other, and each has his own responsibilities in order to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.

Mr Edwin Soeryadjaya, the Chairman, bears responsibilities for the strategic planning and development of the Group's business and spearheading the expansion and growth of the Group as well as ensuring the integrity and effectiveness of the governance process of the Board. He is also responsible for amongst others, the proper carrying out of the business of the Board including:

- (i) ensuring that Board meetings are held periodically or when necessary;
- (ii) setting the agenda of the Board meetings to discuss operational, financial and in particular strategic issues of the Company and ensuring all agenda items are given adequate time to be addressed;
- (iii) promoting a culture of openness and debate at the Board and management level to gather feedback that will be constructive to the Company;
- (iv) ensuring that management provides the Board with complete, adequate and timely information;
- (v) ensuring the proper flow of information between the Board, management and shareholders;
- (vi) encouraging constructive relationships within the Board and between the Board and management to ensure the Board and management work well together to achieve the Company's goals set by the Board; and
- (vii) facilitating the effective contribution of non-executive Directors in particular.

Mr Andreas Tjahjadi, an Executive Director, is undertaking the role of CEO without official appointment after the previous CEO left the Company upon the expiry of his employment contract with the Company. The responsibilities of the CEO include overseeing the overall management and operations as well as formulating the business model and growth strategies of the Group. He is responsible for the day-to-day management of the Group's corporate affairs and ensuring that strategies and policies adopted by the Board are implemented.

Corporate Governance Report

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Nominating Committee (“NC”) comprises three members, majority of whom including the chairman of the NC are Independent Directors. The chairman of the NC is Mr Ng Yuen and the other members are Mr Edwin Soeryadjaya and Mr Yap Kian Peng.

The NC’s responsibilities include the following:

- (i) reviewing and making recommendations to the Board on:
 - (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
 - (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;
 - (c) the review of training and professional development programmes for the Board and its directors; and
 - (d) all appointments and re-appointment of directors (including alternate directors, if any) of the Company and directors of subsidiary, PT Pulau Seroja Jaya (“PT PSJ”), who are appointed as representatives of the Company, having regard to the relevant director’s contribution and performance;
- (ii) reviewing and approving, together with the Board, the exercising of vote by subsidiary, Trans LK Marine Pte. Ltd., at any shareholders’ meeting in respect of the appointment of directors of PT PSJ;
- (iii) ensuring that all members of the Board submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
- (iv) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent having regard to the circumstances set forth in Provision 2.1 of the Code;
- (v) prior to 1 January 2022, conducting a rigorous review of the independence of any Director who has served on the Board for more than nine (9) years from the date of his first appointment and the reasons for considering him as independent;
- (vi) ensuring that new Directors are aware of their duties and obligations;
- (vii) deciding whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company, and where a Director holds a significant number of listed company directorships and principal commitments¹, assessing the ability of such a Director to diligently discharge his or her duties;
- (viii) assessing the performance of the Board and contribution of each director to the effectiveness of the Board; and
- (ix) reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC reviews and recommends to the Board the re-appointment of retiring Directors for re-election at each Annual General Meeting (“AGM”) and the appointment of new Directors. The review ensures that the Director to be re-appointed or appointed is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgement, and has demonstrated leadership capacity, high level of professional skills and appropriate personal qualities. Each member of the NC shall abstain from voting on any resolution relating to his own re-nomination as a director.

¹ The term “principal commitments” includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

Corporate Governance Report

If there is a need for a new Director, the NC has in place an internal process to facilitate the search, selection and appointment of a suitable Director. The NC determines the selection criteria and identifies candidates with the appropriate expertise, experience and his/her likely contribution to the Board. The search for new Directors, if any, will be via contacts and recommendations so as to cast its net as wide as possible for the right candidate. Executive recruitment agencies will also be engaged to assist in the search process where necessary. Subsequently, interviews would be conducted before the NC makes its recommendation to the Board. The Board shall make the final determination for the appointment. The Company has no Alternate Director.

The NC has reviewed the independence of each director based on the Code's definition of independence and is satisfied that Mr Yap Kian Peng, Mr Ng Yuen and Mr Low Chee Chiew are independent in conduct, character and judgement as they have no relationship with the Company, its related corporations, its shareholders who have an interest of at least 5% of the Company's voting shares or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The listed company directorships and principal commitments of each Director are disclosed in the Annual Report. In the event a Director holds a significant number of directorships and commitments, the Company provides the Nominating Committee's and Board's reasoned assessment of the ability of the Director to diligently discharge his or her duties in the Annual Report. The NC is of the view that it is not necessary to impose a limit on the number of listed company board representations of each Director as long as each Director is able to dedicate sufficient time and attention to discharge his duties to the Company. Nevertheless, the NC will continue to review annually the board representations and other principal commitments of each Director to ensure that the Directors are able to discharge their duties adequately.

The date of initial appointment and last re-election of each Director are set out below:

Name	Appointment	Date of initial Appointment	Date of last re-election
Mr Edwin Soeryadjaya	Non-Executive Chairman and Director	20 April 1998	27 April 2018
Mr Masdjan	Executive Director and Chief Operating Officer	14 August 2009	29 April 2019
Mr Andreas Tjahjadi	Executive Director	14 August 2009	29 April 2019
Mr Ng Soon Kai	Non-Executive Director	12 May 2015	27 April 2018
Mr Ng Yuen	Independent Director	14 August 2009	28 April 2017
Mr Yap Kian Peng	Independent Director	14 August 2009	28 April 2017
Mr Low Chee Chiew	Independent Director	12 May 2017	Not applicable

Key information of the current Directors is set out in the Board of Directors section of this Annual Report.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Company believes that the Board's performance is ultimately reflected in the performance of the Company. The Board is tasked with making sound commercial decisions and setting strategic directions so as to act in the best interests of the Company and its shareholders.

In line with the principles of good corporate governance, the NC has established and recommended for the Board's approval an objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole,

Corporate Governance Report

and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board. Factors taken into consideration for the assessment of each Director include attendance at meetings, adequacy of preparation, participation, industry knowledge and functional expertise. Factors for assessment of the Board as a whole include the board structure, conduct of meetings, corporate strategy, risk management and internal controls, business and financial performance, compensation, financial reporting and communication with the shareholders.

After the end of the financial year, all Directors are requested to complete a Board performance evaluation questionnaire as well as appraisal forms for the respective Board Committees. The Board performance evaluation questionnaire is to assess the overall effectiveness of the Board and the appraisal forms are to assess the overall effectiveness of each Board Committee. The responses are collated for review by the NC and the NC will submit to the Board together with its recommendations for the Board's deliberation and decision. For FY2019, the Board did not appoint any external facilitators to assist in the assessment of the Board, the Board Committees and the Directors. The Chairman, together with the Board, having reviewed the feedback from the NC, has assessed that the current Board is effective and competent to meet its performance objectives going forward.

The Chairman, in consultation with the NC takes into account the performance of individual Directors in their re-appointment and re-election and also takes into account specific needs which may arise from time to time in any appointment of new directors.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC is primarily responsible for recommending to the Board a framework of remuneration for the Board and the key executives and determining the specific remuneration packages for each Executive Director. The recommendations will be submitted for endorsement by the Board.

The main duties of the RC include the following:

- (i) reviewing and recommending to the Board:
 - (a) a framework of remuneration for the Board and key management personnel; and
 - (b) the specific remuneration packages for each Director as well as for the key management personnel,

and in doing so, the Remuneration and Compensation Committee considers all aspects of remuneration, including, but not limited to, Director's fees, salaries, allowances, bonuses, share options and benefits in kind and termination terms, to ensure they are fair;

- (ii) reviewing on an annual basis the remuneration of employees related to our Directors and Substantial Shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/or promotions for these employees; and
- (iii) recommending a formal and transparent process for determining Directors' fees for the Non-Executive Directors of the Company.

The Remuneration Committee ("RC") comprises 3 Non-Executive Directors, majority of whom, including the Chairman of the RC, are Independent Directors. The Chairman is Mr Yap Kian Peng, and the other members are Mr Edwin Soeryadjaya and Mr Ng Yuen.

Corporate Governance Report

The RC recommends a framework of remuneration policies for Directors as well as the remuneration package of key management personnel and submitted them for endorsement by the entire Board. The recommendations include all aspects of remuneration, including termination terms, to ensure they are fair. For Directors, the review covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, and benefits-in-kind. Each RC member will abstain from voting on any resolution in respect of his own remuneration. The RC is not proposing any changes to the existing framework and deemed it not necessary to engage remuneration consultants. However, the RC is provided with access to expert professional advice on remuneration matters, if required, and the expenses of such services will be borne by the Company.

No new appointment of executive Director or key management personnel was made during the year. The RC reviews the Company's obligations arising in the event of termination of executive Directors' or key management personnel's contracts of service and the terms and conditions of such employment to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

A significant and appropriate proportion of the Executive Directors' and key Management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with Shareholders' interests and other stakeholders and promotes the long-term success of the Company.

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies and whether the remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term. The remuneration for Executive Directors and key management personnel takes into account the performance of the Group and the individual. The remuneration packages include a fixed salary and a variable performance related bonus which is designed to align the interests of the Executive Directors and key management personnel with those of shareholders and promote the long-term success of the Group. Such performance-related remuneration also takes into account the risk policies and risk tolerance of the Company, as well as the time horizon of risks. No Director is involved in deciding his own remuneration. In determining the actual quantum of remuneration of executive Directors and key management personnel, the RC had taken into account the extent to which their performance conditions have been met. These performance conditions are selected by the RC as they support how the Group achieves its strategic objectives. For FY2019, the RC is of the view that the performance conditions have been met.

The Executive Directors have service agreements which cover the terms of employment, salaries and other benefits. The service agreements include a fixed term of appointment with termination by either party giving to the other not less than three months prior written notice. The Non-Executive Directors receive Directors' fees appropriate to their level of contribution, taking into account factors such as effort, time spent and the responsibilities of the Directors. The Directors' fees are recommended by the entire Board for shareholders' approval at each AGM. The RC is mindful Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised.

The RC has the discretion not to award the variable performance related bonus in any year if an executive is directly involved in a material misstatement of financial statements or of misconduct resulting in restatement of financial statements or of misconduct resulting in financial loss to the Company.

Corporate Governance Report

DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

While the Company endeavours to provide adequate disclosure of its Directors', CEO's, and key management personnel's remuneration in order to enhance transparency between the Company and shareholders, for competitive reasons, the Company will only disclose the remuneration of Directors and Key Executives in bands no wider than S\$250,000. The Board also believes that it is for the benefit of the Company and the Group that the remuneration of the Directors and Key Executives are kept confidential, due to its sensitive nature.

There were only 2 key management personnel (who are not Directors or the CEO) whom the Company considered to be key executives of the Group. The details of the remuneration of the Directors and top 2 key executives of the Group for services rendered during the financial year ended 31 December 2019 are as follows:

	Salary %	Bonus %	Fees %	Allowances and Other Benefits %	Total Compensation %
Directors					
<u>S\$250,000 to below S\$500,000</u>					
Mr Andreas Tjahjadi	76.2	6.3	11.3	6.2	100
<u>Below S\$80,000</u>					
Mr Edwin Soeryadjaya	–	–	100	–	100
Mr Masdjan	–	–	100	–	100
Mr Ng Soon Kai	–	–	100	–	100
Mr Ng Yuen	–	–	100	–	100
Mr Yap Kian Peng	–	–	100	–	100
Mr Low Chee Chiew	–	–	100	–	100
Key Executives					
<u>Below S\$250,000</u>					
Boby Susanto ⁽¹⁾	78.4	6.5	–	15.1	100
Lim Poh Chen	79.0	21.0	–	–	100

⁽¹⁾ Mr Boby Susanto is the son of Mr Masdjan, the Chief Operating Officer and Executive Director of the Company. Mr Boby Susanto's remuneration falls between the range of S\$100,000 to S\$150,000.

The remuneration of key management personnel generally comprises primarily a basic salary component and a variable component which is the bonuses based on the performance of the Company and the Group as a whole and the individual performance of each key management personnel.

No termination, retirement and post-employment benefits have been granted to the Directors or key management personnel.

The aggregate remuneration paid to the top two key executives of the Company (who are not Directors or the CEO) for FY2019 is US\$212,000. Save as disclosed above, there are no employees who are substantial shareholders of the company, or are immediate family members of a Director or the CEO or a substantial shareholder of the company whose remuneration exceeded S\$100,000 during the financial year ended 31 December 2019. The Company has obtained shareholders' approval for the adoption of Seroja Employee Share Option Scheme 2018 ("SESOS 2018")

Corporate Governance Report

during its extraordinary general meeting on 27 April 2018. The RC will be tasked to administer SESOS 2018 for options to be awarded to the Company's directors, employees and substantial shareholders. The objective of SESOS 2018 is to provide eligible participants an opportunity to benefit from upside in the equity of the Company by motivating them through increased diligence and dedication to generate higher returns for the Company and its shareholders. The RC will determine the number of share options to be granted individually and set the date of grant and the price thereof under the SESOS 2018 which will then be approved by the Board. No share options have been issued as at the date of issue of this Annual Report.

Save for the above, there are no other forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to Directors and key management personnel of the Company.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board has delegated the AC with the responsibility of overseeing the risk management framework and policies of the Company which includes determining the Company's levels of risk tolerance and risk policies and overseeing the Management in the design, implementation and monitoring of the risk management and internal control systems. The Management will regularly assess and review the Company's operational environment with other senior department heads to identify areas of significant business and financial risks and to implement appropriate measures to control and mitigate such risks. The AC also reviews the audit plans and the findings of the external and internal auditors and ensures that the management follows up on the auditors' recommendations raised, if any, during the audit process.

The Board, supported by the AC, reviewed the adequacy and effectiveness of the Group's risk management and system of internal controls, including financial, operational, compliance and information technology controls. During the financial year, the AC has reviewed the reports by the external and internal auditors as well as discussed with management and is satisfied that the Group's internal control system is adequate to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained to ensure preparation of reliable financial statements and compliance with applicable internal policies, laws and regulations are adhered to.

The Board recognizes its responsibilities for the overall internal control framework but notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. Based on the reports of the external and internal auditors and the various management controls put in place, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational and compliance and information technology controls and risk management system were adequate and effective for the financial year ended 31 December 2019.

The Board has also received assurance from:

- (i) the Executive Director undertaking the role of CEO and the Group Financial Controller at the Board meeting held on 27 February 2020 that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (ii) the Executive Director undertaking the role of CEO, the Group Financial Controller and Executive Director of subsidiary PT PSJ that the Group's internal controls addressing financial, operational and compliance and information technology controls and risk management system were adequate and effective for the financial year ended 31 December 2019.

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Group also considers the various financial risks and management policies, details of which are found on pages 88 to 95 of the Annual Report.

Corporate Governance Report

AUDIT COMMITTEE ("AC")

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The main responsibilities of the AC are to assist the Board in fulfilling its statutory and other duties relating to corporate governance, financial and accounting matters and reporting practices of the Group. The AC meets periodically to perform the following functions:

- (i) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (ii) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;
- (iii) reviewing the assurance from the CEO and the FC on the financial records and financial statements;
- (iv) review with the external auditors the audit plans, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;
- (v) review the quarterly, half-yearly and annual financial statements before submission to the Board for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- (vi) review the internal control and procedures and co-ordination between the external auditors and the management, review the assistance given by the management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);
- (vii) ensure that annual internal controls audit is commissioned until such time it is satisfied that the Group's internal controls are robust and effective enough;
- (viii) review and approve all formal hedging and trading policies, and ensure that adequate procedures are in place, prior to implementation by the Group;
- (ix) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
- (x) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of the external auditors; and (ii) the audit fee and terms of engagement of the external auditors;
- (xi) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- (xii) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;
- (xiii) review and approve all interested person transactions of the Group prior to entry;
- (xiv) review any potential conflicts of interest;

Corporate Governance Report

- (xv) review all minutes of meetings conducted by the board of directors of PT PSJ, at least on a quarterly basis, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;
- (xvi) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- (xvii) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

Apart from the duties above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC comprises three members, all of whom are non-executive directors and the majority of whom, including the AC Chairman, are Independent Directors. Members of the Audit Committee are appropriately qualified and have recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. The AC is chaired by Mr Yap Kian Peng and the other members are Mr Edwin Soeryadjaya and Mr Ng Yuen. The Board is of the view that the Chairman and members of the Audit Committee, whose professions or principal commitments require them to keep abreast of changes to accounting standards and issues, are appropriately qualified and have recent and relevant accounting or related financial management expertise or experience to discharge the Audit Committee's functions and responsibilities. In the course of their work or profession, members of the AC will also attend courses and seminars related to accounting or related financial management topics. Furthermore, the AC was also informed and briefed by the external auditors during AC meetings in respect of the latest changes to accounting standards and issues which have a direct impact on the financial statements.

None of the AC members were previous partners or directors of the Company's external auditor, Nexia TS Public Accounting Corporation(a) within a period of two years commencing on the date of their ceasing to be a partner or a director of the external auditor; and in any case, (b) for as long as they have any financial interest in the external auditor.

During the financial year, the AC met with the management and the external auditors on three (3) and one (1) occasion respectively. These meetings included, amongst other things, a review of the Group's financial statements, the internal control procedures, prospects of the Group, independence of the external auditors, changes in accounting standards and issues which have a direct impact on financial statements. The AC members will also meet up with external auditors, and with the internal auditors, in each case without the presence of management, at least during one of the AC meetings. The AC reviews the independence of the external auditors and the nature and extent of non-audit services provided by the external auditors to the Group and is satisfied that such services will not prejudice the independence and objectivity of the external auditors. During the year under review, the aggregate amount of fees paid to the external auditors for the audit and non-audit services amounted to US\$61,000 and US\$1,000 respectively. The AC has recommended to the Board that Nexia TS Public Accounting Corporation, Singapore be nominated for re-appointment as external auditors at the forthcoming AGM.

Besides Nexia TS Public Accounting Corporation, the AC has also assessed the appointments of different auditors for the Group's associated companies and is satisfied that such appointments would not compromise the standard and effectiveness of the Group's audit. Accordingly, the AC and the Board are satisfied that the Group has complied with Rule 712 and Rule 715 of the Listing Manual of SGX-ST in relation to its auditing firms.

Corporate Governance Report

The AC has reviewed the Company's whistle blowing framework which was put in place to establish a confidential line of communication for employees to report in confidence, without fear of reprisal, concerns about possible improprieties in matters of financial reporting or other matters. This policy is to assist the AC in managing allegations of fraud or other misconduct; disciplinary and civil actions that are initiated following the completion of the investigations are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence. Employees of the Company may, in confidence, report any such violations in writing to the Company Secretary or any Director of the Company. During FY2019, the AC had noted that there were no complaints or other matters received from the channel established under the whistle-blowing policy.

Each member of the AC shall abstain from voting on any resolutions and making any recommendation and/or participating in any deliberations of the AC in respect of matters he is interested in.

The Group has outsourced its internal audit function to a qualified accounting firm, Johan Malonda Mustika & Rekan which is an independent member of Baker Tilly International to strengthen the internal audit function so as to assist the Group to maintain a sound system of internal controls to safeguard shareholders' interest. The internal auditor meets or exceeds the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC also decides on the appointment, termination and remuneration of the internal auditor. The internal auditor reports primarily to the AC and has full access to the documents, records, properties and personnel, including the AC, of the Group and has appropriate standing within the Company. The findings and recommendations of the internal auditor are discussed at the AC meeting and management is required to follow up on such recommendations to strengthen the internal control system of the Group. The AC reviews annually the adequacy and effectiveness of the internal audit function and is satisfied that the internal audit is staffed by qualified and experienced personnel and the internal audit function has been adequately carried out. The AC is also satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to be kept updated on the Group's strategies and goals. The Company will make announcement via SGXNet and advertise in local newspapers the notice of the AGMs. The Company's Constitution allows shareholders who are unable to attend the general meetings to appoint up to two (2) proxies each to attend and vote on their behalf as long as their proxy forms are duly lodged in advance with the Company. Shareholders whose shares are held through nominees are allowed to attend general meetings as observers with advance notice from the nominees to the Company. The Company has decided not to provide for other absentia voting methods such as voting via mail, e-mail or fax until security and other pertinent issues relating to shareholder identity authentication are satisfactorily resolved.

The Board ensures that separate resolutions are proposed for approval on each substantially separate issue at general meetings, unless the issues are interdependent and linked so as to form one significant proposal, to which explanatory notes are furnished in the general meetings' notices. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.

The Directors' attendance at general meetings is set out below. The Directors, three (3) of whom are based overseas, endeavour to attend all the general meetings of shareholders to address any queries by shareholders. The Company Secretary and external auditors were also present to assist the Directors in addressing any relevant queries from shareholders, including queries about the conduct of audit and the preparation and content of the auditors' report.

Corporate Governance Report

Name of Director	AGM held on 29 April 2019
Edwin Soeryadjaya	Absent
Andreas Tjahjadi	Present
Masdjani	Present
Ng Soon Kai	Present
Yap Kian Peng	Present
Ng Yuen	Present
Low Chee Chiew	Present

Although the minutes of the meetings, which include substantial and relevant comments and queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, are not published on the Company's corporate website, such minutes are available to shareholders for inspection upon their request. The minutes of general meetings record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and the Management.

The Company does not have a fixed dividend policy and no dividends will be paid for FY2019 as the Company does not have profits available to declare dividends. The form, frequency and amount of dividends will depend on the Group's financial results, capital requirements, cash flow, development plans and other factors as the directors may deem appropriate. If there is intention to declare dividends, this will be clearly communicated to the shareholders via announcements through SGXNet.

The Company has been conducting poll voting for all resolutions passed at its AGMs. An independent firm was appointed as the scrutineer to conduct the polling process. The results of the poll voting on each resolution tabled at the last AGM, including the total number of votes cast for and against each resolution and the respective percentages, were also announced via SGXNet after the AGM. Until it is cost effective to do so, the Company will continue to employ manual polling in view of the small number of voters at its general meetings.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company does not practice selective disclosure. In line with continuing disclosure obligations of the Company pursuant to the Listing Rules of the SGX-ST, the Board's policy is that all shareholders should be informed on a timely basis of all major developments that impact the Group. Information will first be disseminated through SGXNet and where relevant, followed by a news release. The Company will also make announcements from time to time to update shareholders on developments that are of interest to them.

To facilitate the exercise of ownership rights by all shareholders, the Company is committed to proactive communication with shareholders and to provide shareholders with timely and material information. Such information has been disclosed or communicated in a fairly and timely manner through:

- (i) Annual Reports which are prepared and issued to all shareholders;
- (ii) Quarterly and full year financial results announcements which are published on the SGXNet;
- (iii) notices of and explanatory memoranda for AGMs and EGMs (if any);
- (iv) major announcements which are published on the SGXNet;
- (v) Company's website at www.seroja.com.sg for shareholders to access financial information, corporate announcements, Annual Reports and other Company's reports under one platform.

Corporate Governance Report

Shareholders are entitled to attend the general meetings and are given the opportunity to participate effectively in and vote at the general meetings of the Company. They are informed of general meetings through notice of general meetings published in the local newspapers and announcement via SGXNet as well as Annual Reports sent to them. The rules and voting procedures governing the meetings of shareholders are clearly communicated to shareholders by the scrutineer at such meetings.

The Company provides avenues for communication between the Board and all shareholders. To allow the Board to solicit and understand the views of Shareholders, Shareholders are encouraged to attend the annual general meetings and extraordinary general meetings of the Company to ensure high level of accountability and to stay apprised of the Company's strategy and goals. At the general meetings, the Shareholders are given an opportunity to air their views and ask questions regarding the Company and the Group.

While the Company does not have a formal investor relations policy, to have regular and timely communication other than the general meetings, the Company intends to engage the service of an investor relation firm to manage relations with shareholders, analysts and media when there are major developments that will be of interest to the investing community. Currently, the investor relation role is delegated to Management to explain and clarify the Company's financial results and industry operations which shareholders, analysts and media may have queries on. Such queries can be directed to the Company's Management through email correspondence to enquiry@seroja.com.sg and the Company will perform verification check and reply to the queries once the sender is verified.

MANAGING STAKEHOLDER RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. Meetings will be organised if necessary to address any major concerns of such stakeholder groups which have an impact on the operations and performance of the Company and the Group.

Details of the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during FY2019 are presented under the "Sustainability Report" section of this Annual Report.

The Company maintains a current corporate website to communicate and engage with stakeholders. The Company's corporate website address is www.seroja.com.sg

Corporate Governance Report

DEALINGS IN SECURITIES

The Group has adopted an internal code which prohibits the Directors and officers of the Group from dealing in the Company's shares during the period commencing two weeks and one month, as the case may be, before the announcement of the Group's quarterly and full-year financial results and ending on the date of announcement of the relevant results or if they are in possession of unpublished material price-sensitive information of the Group. In addition, Directors and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period and are discouraged from dealing in securities for short term consideration.

INTERESTED PERSON TRANSACTIONS

The Company ensures that all interested person transactions comply with its internal control procedures and Chapter 9 of the Listing Manual of SGX-ST, and are carried out on an arm's length basis and will not be prejudicial to the interests of the shareholders and will be properly documented. The AC reviews all interested person transactions, to ensure that they are carried out on normal commercial basis and in accordance with the internal control procedures.

The details of interested person transactions for the financial year ended 31 December 2019 are set out below:

Name of Interested Persons	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate (excluding transactions less than \$100,000) pursuant to Rule 920
		US\$ '000	US\$ '000
Revenue from PT Maritim Barito Perkasa	PT Maritim Barito Perkasa is a subsidiary corporation of PT Adaro Energy Tbk (" Adaro Energy "). Our Chairman, Mr Edwin Soeryadjaya, is the President Commissioner of Adaro Energy and he is effectively interested in less than 30% ^(a) of Adaro Energy.	–	14,869

^(a) For the purpose of adopting a higher standard of corporate governance, the Company has treated the Adaro Group as an associate of Mr Edwin Soeryadjaya,

Directors' Statement

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of Seroja Investments Limited (the "Company") and its subsidiary corporations (the "Group") for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 43 to 96 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Edwin Soeryadjaya
Andreas Tjahjadi
Masdjan
Yap Kian Peng
Ng Yuen
Ng Soon Kai
Low Chee Chiew

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	<u>Holdings registered in name of director</u>		<u>Holdings in which director is deemed to have an interest</u>	
	<u>As at 1.1.2019</u>	<u>As at 31.12.2019</u>	<u>As at 1.1.2019</u>	<u>As at 31.12.2019</u>
The Company				
<u>(No. of ordinary shares)</u>				
Edwin Soeryadjaya	24,270,349	24,270,349	90,812,988	90,812,988
Andreas Tjahjadi	17,491,703	17,491,703	–	–
Masdjan	–	–	36,325,195	36,325,195
Ng Soon Kai	–	–	4,225,446	4,225,446
Subsidiary Corporation				
Seroja Shipping Services Pte Ltd				
<u>(No. of ordinary shares)</u>				
Masdjan	–	–	1,302,880	1,302,880

Directors' Statement

For the financial year ended 31 December 2019

Edwin Soeryadjaya, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's subsidiary corporations.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2020.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of option to take up unissued shares of the Company or its subsidiary corporations.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary corporations under option.

Audit committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Yap Kian Peng (Chairman), Independent director
Edwin Soeryadjaya
Ng Yuen, Independent director

All members of the AC were non-executive directors.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act and the Code of Corporate Governance. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 before their submission to the Board of Directors.

Apart from the above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. The AC has full access to and co-operation of the management and has full discretion to invite any director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

During the financial year, the AC met with the management and the independent auditor on three (3) and one (1) occasions respectively. These meetings included, amongst other matters, a review of the Group's financial statements, any recommendations on internal control arising from the statutory audit and independence of the independent auditor. The independent auditor also met with the AC members without the presence of the management. The AC reviews the independence of the independent auditor and the nature and extent of non-audit services provided by the independent auditor to the Group and is satisfied that such services will not prejudice the independence and objectivity of the independent auditor. Accordingly, the AC recommends to the Board that Nexia TS Public Accounting Corporation, Singapore be nominated for re-appointment as independent auditor at the forthcoming Annual General Meeting of the Company.



Directors' Statement

For the financial year ended 31 December 2019

The Company has in place a whistle blowing framework for employees and other parties to report in confidence, without fear of reprisal, concerns about possible improprieties in matters of financial reporting or other matters. This policy is to assist the AC in managing allegations of fraud or other misconduct; disciplinary and civil actions that are initiated following the completion of the investigations are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Andreas Tjahjadi
Director

Masdjan
Director

30 March 2020

Independent Auditor's Report

TO THE MEMBERS OF SEROJA INVESTMENTS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Seroja Investments Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 96.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of disposal group classified as held-for-sale

Refer to note 2.23, note 3 and note 8 to the financial statements

On 15 August 2019, the Company entered into a conditional sale and purchase agreement ("SPA") with Mr Masdjan ("Purchaser"), an executive director and chief operating officer of the Group, to dispose of its entire shareholding interests of 100,000 shares, representing 100% of the entire issued and paid up share capital of Trans LK Marine Pte. Ltd. ("TLM") and together with its subsidiary corporations (collectively the "TLM Group") to the Purchaser for an aggregate cash consideration of US\$32,160,000 ("Consideration") and subject to the terms and conditions of the SPA ("Proposed Disposal").

On 17 December 2019, the Company has submitted the draft Circular to Shareholders ("Circular") in relation to the above proposed disposal for Singapore Exchange's (SGX's) approval as the transaction is considered a major transaction and an interested person transaction. At the date of this report, the Circular is still pending approval from SGX.

Independent Auditor's Report

TO THE MEMBERS OF SEROJA INVESTMENTS LIMITED

Key Audit Matters (Cont'd)

Classification and measurement of disposal group classified as held-for-sale (Continued)

Refer to note 2.23, note 3 and note 8 to the financial statements (Continued)

On 14 February 2020, the Company and the Purchaser entered into a supplemental letter to the SPA to, inter alia, extend the Long-stop Date for a further three months from 14 February 2020 to 13 May 2020.

Management has assessed the proposed disposal of TLM Group and has classified TLM Group as a disposal group classified as held-for-sale and discontinued operations in accordance with SFRS(I) 5 Non-Current Assets Held-for-Sale and Discontinued Operations. The assets and liabilities of the disposal group are classified as "Assets of disposal group classified as held-for-sale" and "Liabilities directly associated with disposal group classified as held-for-sale" respectively as at 31 December 2019 and the results of TLM Group which is under the reportable segment of "Freight and time charter" are presented and classified as "Discontinued operations" for the financial year ended 31 December 2019.

Due to the significance of the transaction, level of judgement involved in assessing the criteria for classification and presentation of disposal group classified as held-for-sale and discontinued operations, estimating the fair value of the disposal group, and also the significance of the carrying amounts of assets and liabilities associated with the disposal group, we considered this to be a key audit matter.

How our audit addressed the matter

We have evaluated management's assessment on the classification of disposal group for the assets and liabilities of disposal group classified as held-for-sale and the results presented as discontinued operations are in accordance with SFRS(I) 5 criteria through understanding the status and process of the proposed disposal transaction and reviewing the terms and conditions of SPA and supplemental letter to SPA.

We have reviewed management's assumptions and basis used in allocating the assets and liabilities associated with disposal group and its results of discontinued operations and verified to the accounting records.

We have assessed and reviewed the write-down of the disposal group to its fair value less costs to sell based on the Consideration agreed with the Purchaser.

We have assessed the adequacy of related disclosures made in the financial statements.

Revenue recognition

Refer to Note 2.2 and Note 8(a) to the financial statements

The disposal group is principally engaged in the provision of vessel chartering service to transport dry bulk cargo revenue on a specific contract with the relevant counterparty. For freight charter arrangement, each standard contract will typically state the total tonnage to be transported, the contract period and specific freight rate at specific route (i.e, loading and unloading port). For time charter, each contract will specify a daily rate which can vary based on the vessels' capacity and the counterparty.

In order for revenue to be recorded appropriately, for each vessel, the Group needs to:

- measure and record the total of tonnage quantity transported for each route; and
- estimate the number of days travelled for each route.

Independent Auditor's Report

TO THE MEMBERS OF SEROJA INVESTMENTS LIMITED

Key Audit Matters (Cont'd)

Revenue recognition

Refer to Note 2.2 and Note 8(a) to the financial statements

We focus on this area because there is a presumed high risk with regard to revenue recognition and the significant variability in the terms of each contract by vessels and by counterparty.

How our audit addressed the matter

We have considered the appropriateness of the revenue recognition accounting policies as per SFRS(I) 15 Revenue from Contracts with Customers.

We obtained an understanding of control environment and evaluated the key controls over sales and receivable cycle, performed walkthrough test and, on samples basis, to determine whether these controls were operating effectively throughout the financial year.

We have obtained a detailed sales report analysing the revenue earned by month and by a pair of tug and barge, which specifies the route, number of tonnage or number of days on hire and the relevant contractual rate, and agreed this to the general ledger.

We have:

- (i) agreed the freight rate to the underlying contract on a sample basis.
- (ii) recalculated the revenue figure based on the number of tonnage and freight rate or the days on hire and daily rate and agreed both the revenue amount and details to the invoice.
- (iii) performed cut-off test to ascertain that revenue has been recognised in the proper accounting period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Independent Auditor's Report

TO THE MEMBERS OF SEROJA INVESTMENTS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Independent Auditor's Report

TO THE MEMBERS OF SEROJA INVESTMENTS LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Ms Chan Siew Ting.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

30 March 2020

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Continuing operations			
Other losses - net	4	(77)	(15)
Expenses			
- Administrative	5	(821)	(746)
Share of profits of associated companies	16	7	2
Loss before income tax		(891)	(759)
Income tax expense	7	–	–
Loss from continuing operations		<u>(891)</u>	<u>(759)</u>
Discontinued operations			
Profit from discontinued operations	8	5,233	3,192
Total profit		<u>4,342</u>	<u>2,433</u>
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation arising from consolidation – gain/(loss)		108	(67)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Currency translation arising from consolidation – gain/(loss)		118	(73)
Re-measurements of post-employment benefits		95	69
Other comprehensive income/(loss)		<u>321</u>	<u>(71)</u>
Total comprehensive income		<u>4,663</u>	<u>2,362</u>
Profit attributable to:			
Equity holders of the Company		1,866	773
Non-controlling interests		2,476	1,660
		<u>4,342</u>	<u>2,433</u>
Profit attributable to equity holders of the Company relates to:			
Loss from continuing operations		(870)	(759)
Profit from discontinued operations		2,736	1,532
		<u>1,866</u>	<u>773</u>
Total comprehensive income attributable to:			
Equity holders of the Company		2,020	739
Non-controlling interests		2,643	1,623
		<u>4,663</u>	<u>2,362</u>
(Loss)/Earnings per share attributable to equity holders of the Company (US cents per share)			
Basic and diluted			
From continuing operations	9	(0.22)	(0.19)
From discontinued operations	9	<u>0.70</u>	<u>0.39</u>

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 31 December 2019

		Group		Company	
	Note	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
ASSETS					
Current assets					
Cash and bank balances	10	2,798	5,024	2,798	742
Financial assets, at fair value through profit or loss	11	34	75	34	75
Trade and other receivables	12	–	9,377	–	1
Inventories	13	–	2,891	–	–
Other current assets	14	47	296	47	45
		<u>2,879</u>	<u>17,663</u>	<u>2,879</u>	<u>863</u>
Assets of disposal group classified as held-for-sale					
	8	73,840	–	–	–
Non-current asset classified as held-for-sale	8	–	–	28,337	–
		<u>76,719</u>	<u>17,663</u>	<u>31,216</u>	<u>863</u>
Non-current assets					
Investments in subsidiary corporations	15	–	–	34	29,213
Investments in associated companies	16	–	315	–	–
Property, plant and equipment	17	–	56,518	–	1
		<u>–</u>	<u>56,833</u>	<u>34</u>	<u>29,214</u>
Total assets		<u>76,719</u>	<u>74,496</u>	<u>31,250</u>	<u>30,077</u>
LIABILITIES					
Current liabilities					
Trade and other payables	18	2,458	3,008	2,218	193
Borrowings	19	–	5,690	–	–
Lease liabilities	20	–	564	–	–
		<u>2,458</u>	<u>9,262</u>	<u>2,218</u>	<u>193</u>
Liabilities directly associated with disposal group classified as held-for-sale	8	5,945	–	–	–
		<u>8,403</u>	<u>9,262</u>	<u>2,218</u>	<u>193</u>
Non-current liabilities					
Lease liabilities	20	–	68	–	–
Deferred income tax liabilities	21	–	129	–	–
Post-employment benefits	22	–	734	–	–
		<u>–</u>	<u>931</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>8,403</u>	<u>10,193</u>	<u>2,218</u>	<u>193</u>
NET ASSETS		68,316	64,303	29,032	29,884

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 31 December 2019

		Group		Company	
	Note	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	31,801	31,801	56,951	56,951
Currency translation reserves		(468)	(576)	–	–
Other reserve	24	(305)	(305)	–	–
Accumulated losses	25	(646)	(2,558)	(27,919)	(27,067)
		30,382	28,362	29,032	29,884
Non-controlling interests	15	37,934	35,941	–	–
Total equity		68,316	64,303	29,032	29,884

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2019

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Currency translation reserve	Other reserve	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2019							
As at 1 January 2019	31,801	(576)	(305)	(2,558)	28,362	35,941	64,303
Net profit for the financial year	–	–	–	1,866	1,866	2,476	4,342
Re-measurements of post-employment benefits	–	–	–	46	46	49	95
Foreign currency translation	–	108	–	–	108	118	226
Total comprehensive income for the financial year	–	108	–	1,912	2,020	2,643	4,663
Capital reduction in a subsidiary corporation	–	–	–	–	–	(130)	(130)
Dividends paid to non-controlling interest	–	–	–	–	–	(520)	(520)
As at 31 December 2019	31,801	(468)	(305)	(646)	30,382	37,934	68,316

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of **Changes in Equity**

For the financial year ended 31 December 2019

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Currency translation reserve	Other reserve	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2018							
As at 1 January 2018	31,801	(509)	(305)	(3,364)	27,623	34,318	61,941
Net profit for the financial year	–	–	–	773	773	1,660	2,433
Re-measurements of post-employment benefits	–	–	–	33	33	36	69
Foreign currency translation	–	(67)	–	–	(67)	(73)	(140)
Total comprehensive (loss)/income for the financial year	–	(67)	–	806	739	1,623	2,362
As at 31 December 2018	31,801	(576)	(305)	(2,558)	28,362	35,941	64,303

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

		Group	
		2019	2018
	Note	US\$'000	US\$'000
Cash flows from operating activities			
Total profit		4,342	2,433
Adjustments for:			
Income tax expense	7	462	406
Depreciation of property, plant and equipment	17	12,247	11,698
Write-off of property, plant and equipment		–	25
Impairment loss on investment in associated companies	16	26	–
Interest expense		181	694
Interest income		(462)	(34)
Share of profit of associated companies	16	(7)	(2)
(Gain)/Loss on disposal of property, plant and equipment		(3)	136
Unrealised currency translation loss		22	(221)
Operating profit before working capital changes		16,808	15,135
Changes in working capital:			
Financial assets, at fair value through profit or loss		41	(75)
Trade and other receivables		(145)	(992)
Inventories		1,219	(728)
Other current assets		(720)	737
Trade and other payables		(361)	(1,271)
Post-employment benefits		38	90
Cash generated from operation		16,880	12,896
Income tax paid		(508)	(451)
Interest received		272	34
Net cash provided by operating activities		16,644	12,479
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,480)	(4,114)
Disposal of property, plant and equipment		3	174
Payment to non-controlling interests from capital reduction		(130)	–
Dividends paid to non-controlling interests of a subsidiary corporation		(520)	–
Deposit for disposal of subsidiary corporations		2,000	–
Capital reduction in associated companies		296	–
Net cash used in investing activities		(5,831)	(3,940)
Cash flows from financing activities			
Repayment of borrowings		(2,500)	(5,938)
Repayment of lease liabilities		(620)	(501)
Restricted cash		250	291
Interest paid		(233)	(671)
Net cash used in financing activities		(3,103)	(6,819)
Net increase in cash and cash equivalents		7,710	1,720
Cash and cash equivalents			
Beginning of financial year		4,774	3,102
Effects of currency translation		(34)	(48)
End of financial year	10	12,450	4,774

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

Reconciliation of liabilities arising from financing activities:

	1 January 2019 US\$'000	Principal and interest payments US\$'000	Non-cash changes			31 December 2019 US\$'000
			Acquisitions US\$'000	Amortised interest US\$'000	Interest expenses US\$'000	
Bank borrowings	5,690	(2,698)	59	(186)	135	3,000
Lease liabilities	632	(655)	22	–	46	45

	1 January 2018 US\$'000	Principal and interest payments US\$'000	Non-cash changes			31 December 2018 US\$'000
			Other payables US\$'000	Interest expenses US\$'000		
Bank borrowings	11,584	(6,501)	21	586		5,690
Lease liabilities	1,133	(609)	–	108		632

Notes to the Financial Statements

For the financial year ended 31 December 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The consolidated financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 30 March 2020.

1 General information

Seroja Investments Limited (the "Company") is listed on the Singapore Exchange ("SGX") and incorporated and domiciled in Singapore. The address of its registered office is 50 Raffles Place, #06-00, Singapore Land Tower, Singapore 048623 and its principal place of business is 15 Scotts Road, #08-05, Thong Teck Building, Singapore 228218.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiary corporations and associated companies are set out in Note 15 and Note 16 to the financial statements respectively.

On 15 August 2019, the Company entered into a conditional sale and purchase agreement ("SPA") with Mr Masdjan ("Purchaser"), an executive director and chief operating officer of the Group, to dispose of its entire shareholding interest of 100,000 shares, representing 100% of the entire issued and paid up share capital of Trans LK Marine Pte. Ltd. ("TLM") together with its subsidiary corporations (collectively, the "TLM Group") to the Purchaser ("Proposed Disposal"). TLM Group are in the business of Freight and Time Charter which is the existing sole core business of the Group. As a result of the Proposed Disposal, the Freight and Time Charter business segment is therefore classified as discontinued operations for the financial year ended 31 December 2019 and the entire assets and liabilities of TLM Group are classified as a disposal group held-for-sale as at 31 December 2019 (Note 8).

On 17 December 2019, the Company has submitted the draft Circular to Shareholders ("Circular") in relation to the above proposed disposal for SGX's approval as the transaction is considered a major transaction and an interested person transaction. At the date of this report, the Circular is still pending the approval from SGX.

On 14 February 2020, the Company and the Purchaser entered into a supplemental letter to the SPA to, inter alia, extend the Long-stop Date for a further three months from 14 February 2020 to 13 May 2020.

Upon completion of the Proposed Disposal, the Company will cease to have any operating business and will be deemed as a cash company under Rule 1018 of the Listing Manual.

Management believes that the Company will be able to continue as going concern and source for new investment opportunities within the period defined under Rule 1018 of the Listing Manual.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements are expressed in thousands of US dollar ("US\$'000").

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases.

Adoption of SFRS(I) 16 Leases

(a) When the Group is lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

SFRS(I) 16 results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right- to-use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

There are no significant effects of the adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 as the Group has only one non-cancellable short-term lease agreement.

(b) When the Group is lessor

There are no material changes to accounting by the Group as a lessor.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15.

2.2 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised service to the customer, which is when the customer obtains control of the service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Chartering services

The Group recognises its revenue from chartering services over the period of performance as the obligation to provide transportation service is satisfied over time.

(b) Interest income

Interest income is recognised using the effective interest method.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.3 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

The acquisition method of accounting is used to account for business combinations entered into by the Group.

(ii) *Acquisitions*

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.3 Group accounting (Cont'd)

(a) *Subsidiary corporations* (Cont'd)

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated companies" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company or respective entities.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisition*

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.3 Group accounting (Cont'd)

(c) Associated companies (Cont'd)

(ii) Equity method of accounting (Cont'd)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the respective entities.

2.4 Property, plant and equipment

(a) Measurement

(i) Land and building

Land and building are initially recognised at cost. Freehold land is subsequently carried at the cost less accumulated impairment losses. Building is subsequently carried at the cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs incurred on drydocking of vessels are capitalised and depreciated over the period to the next drydocking date.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.4 Property, plant and equipment (Cont'd)

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Buildings	20 years
Vessels	16 years
Drydocking	2 ½ years
Machinery and equipment	4 years
Motor vehicles	4 - 5 years
Office equipment	3 - 4 years
Furniture and fittings	3 - 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss within "other losses, net".

2.5 Investments in subsidiary corporations and associated companies

Investments in subsidiary corporations and associated companies are carried at cost less accumulated impairment losses in the Company's and respective entities' balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.6 Impairment of non-financial assets

Property, plant and equipment
Investments in subsidiary corporations and associated companies

Property, plant and equipment and investments in subsidiary corporations and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.6 Impairment of non-financial assets (Cont'd)

Property, plant and equipment

Investments in subsidiary corporations and associated companies (Cont'd)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.8 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.8 Financial assets (Cont'd)

(a) Classification and measurement (Cont'd)

(i) Debt instruments (Cont'd)

Amortised cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

FVPL

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses". Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The credit risk note details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.9 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value.

The Group has entered into interest rate swaps to minimise the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss under interest expenses when the changes arise.

2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Inventories

Inventories comprise of bunkers, materials and parts to be consumed in the course of rendering of services. Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.12 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date in which case they are presented as non-current liabilities.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair value of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest that are available to the Group for similar financial liabilities.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.15 Leases

- (a) The accounting policy for leases before 1 January 2019 are as follows:

When the Group is the lessee:

(i) *Lessee - Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) *Lessee - Operating leases*

Lease of office unit where substantially all risks and rewards incidental to ownership is retained by the lessors is classified as operating lease. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When the Group is the lessor:

Lessor - Operating leases

Lease of vessels where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Charter hire income from operating leases is recognised in profit or loss.

- (b) The accounting policy for leases from 1 January 2019 are as follows:

When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) *Right-of-use assets*

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.15 Leases (Cont'd)

(b) The accounting policy for leases before 1 January 2019 are as follows: (Cont'd)

(i) *Right-of-use assets (Cont'd)*

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use asset are presented within "Property, plant and equipment".

(ii) *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include fixed payment. Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) *Short term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 5.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and associated companies except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that tax arises from a transaction which is recognised directly in equity.

According to Decree of the Minister of Finance of the Republic of Indonesia No.416/KMK.04/1996, dated 14 June 1996 and Circular Letter of Directorate General of Taxation No. SE-32/PJ.4/1996 dated 16 August 1996 and No.417/KMK.04/1996 dated 14 June 1996, the income tax of sea transport service imposed with final tax of 1.2% for local fee transport service.

2.17 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined benefit plans*

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

The Group provides defined post-employment benefits to its employees in accordance with Indonesia Labor Law No. 13/2003.

(b) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(c) *Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.19 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollar, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity instruments). However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2 Significant accounting policies (Cont'd)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary corporation acquired exclusively with a view to resale.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Non-current assets (disposal group) held-for-sale

The Group has presented the assets and liabilities of its subsidiary corporation, Trans LK Marine Pte. Ltd. ("TLM") and its subsidiary corporations ("TLM Group"), as assets of disposal group classified as held-for-sale and liabilities directly associated with disposal group classified as held-for-sale and in accordance with the accounting policy stated in note 2.23. As at 31 December 2019, the carrying amounts of the assets and liabilities held-for-sale were US\$73,840,000 and US\$5,945,000 respectively (Note 8).

Judgement is required from the management in the classification and measurement of fair value of TLM Group. In performing this assessment, management has taken into consideration the criteria set out in SFRS (I) 5 and the sale consideration, terms and conditions and related adjustment, which are stated in the conditional sale and purchase agreement. Management is of the view the classification is appropriate and the fair value less cost to sell of assets and liabilities of TLM Group approximate their carrying amount as at 31 December 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2019

4 Other losses - net

	Group	
	2019	2018
	US\$'000	US\$'000
Interest income from financial assets measured at amortised cost – bank deposits	15	19
Foreign exchange loss	(25)	(34)
Impairment loss on investment in associated companies (Note 16)	(26)	–
Fair value loss on financial assets at FVTPL (Note 11)	(41)	–
	<u>(77)</u>	<u>(15)</u>

5 Expenses by nature

	Group	
	2019	2018
	US\$'000	US\$'000
Audit fees paid/payables to:		
- auditors of the Company	61	61
Depreciation of property, plant and equipment (Note 17)	1	1
Directors' fees	223	223
Employee compensation (Note 6)	237	213
Printing, postage and stationeries	41	62
Professional fees	157	105
Rental on operating lease	74	74
Others	27	7
	<u>821</u>	<u>746</u>

6 Employee compensation

	Group	
	2019	2018
	US\$'000	US\$'000
Salaries and bonus	224	202
Employer's contributions to Central Provident Fund ("CPF")	13	11
	<u>237</u>	<u>213</u>

Notes to the Financial Statements

For the financial year ended 31 December 2019

7 Income taxes

	Group	
	2019	2018
	US\$'000	US\$'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
From continuing operations		
- Singapore	-	-
From discontinued operations		
Current income tax		
- Indonesia	507	451
Deferred income tax (Note 21)	(45)	(45)
	<u>462</u>	<u>406</u>
Tax expense is attributable to:		
- Continuing operations	-	-
- Discontinued operations (Note 8)	462	406
	<u>462</u>	<u>406</u>

The tax on the Group's profit differs from the amount that would arise using the tax calculated at Singapore Standard rate of income tax as explained below:

	Group	
	2019	2018
	US\$'000	US\$'000
Profit/(loss) before income tax and non-controlling interests		
- continuing operations	(891)	(759)
- discontinued operations (Note 8)	5,695	3,598
	<u>4,804</u>	<u>2,839</u>
Share of profit of associated companies, net of tax (Note 16)	(7)	(2)
Profit before tax and share of profit of associated companies	<u>4,797</u>	<u>2,837</u>
Tax calculated at tax rate of 17% (2018: 17%)	815	482
Effects of:		
- difference tax rate in other countries	(504)	(203)
- expenses not deductible for tax purposes	151	127
	<u>462</u>	<u>406</u>

No tax impact relating to each component of other comprehensive income during the financial year.

Notes to the Financial Statements

For the financial year ended 31 December 2019

8 Discontinued operations and disposal group classified as held-for-sale

On 15 August 2019, the Company entered into a conditional sale and purchase agreement ("SPA") with Mr Masdjan ("Purchaser"), an executive director and chief operating officer of the Group, to dispose of its entire shareholding interest of 100,000 shares, representing 100% of the entire issued and paid up share capital of Trans LK Marine Pte. Ltd. ("TLM") together with its subsidiary corporations (collectively, the "TLM Group") to the Purchaser ("Proposed Disposal").

The entire assets and liabilities related to TLM Group was classified as disposal group held-for-sale as at 31 December 2019, and the entire results from TLM Group was presented separately on the statement of comprehensive income as "Discontinued operations" for the financial year ended 31 December 2019.

The disposal group was previously presented under the "Freight and time charter" reportable segment of the Group (Note 29). The Proposed Disposal is expected to be completed within the next twelve months.

(a) The results of the discontinued operations are as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
Revenue	38,052	37,189
Other gains/(losses)	678	(20)
Expenses	(33,035)	(33,571)
Profit before income tax from discontinued operations	5,695	3,598
Income tax expense (Note 7)	(462)	(406)
Profit after income tax from discontinued operations	5,233	3,192

(b) The income/(loss) recognised in other comprehensive income relating to disposal group classified as held-for-sale were as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
Currency translation arising from consolidation – gain/(loss)	226	(140)
Re-measurements of post-employment benefits	95	69
Other comprehensive income/(loss)	321	(71)

(c) The impact of the discontinued operations on the cash flows of the Group for the financial year ended 31 December 2019 and 2018 were as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
Operating cash inflows	16,755	13,306
Investing cash outflows	(7,997)	(3,940)
Financing cash outflows	(3,103)	(6,819)
Total cash inflow	5,655	2,547

Notes to the Financial Statements

For the financial year ended 31 December 2019

8 Discontinued operations and disposal group classified as held-for-sale (Cont'd)

(d) Details of the assets of disposal group classified as held-for-sale were as follows:

	Group 2019 US\$'000
Cash and bank balances (Note 10)	9,652
Trade and other receivables	9,522
Inventories	1,672
Other current assets	972
Property, plant and equipment (Note 17)	52,022
	<u>73,840</u>

(e) Details of the liabilities directly associated with disposal group classified as held-for-sale were as follows:

	Group 2019 US\$'000
Trade and other payables	2,140
Borrowings	3,000
Finance lease liabilities	45
Deferred income tax liabilities (Note 21)	84
Post-employment benefits (Note 22)	676
	<u>5,945</u>

(f) Cumulative income/(loss) recognised in other comprehensive income relating to disposal group classified as held-for-sale were as follows:

	Group 2019 US\$'000
Currency translation arising from consolidation	(975)
Re-measurements of post-employment benefits	386

(g) Details of assets in non-current asset classified as held-for-sale were as follows:

	Company 2019 US\$'000
Investment in subsidiary corporations (Note 15)	<u>28,337</u>

Notes to the Financial Statements

For the financial year ended 31 December 2019

9 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares outstanding during the financial year and therefore basic and diluted earnings per share are the same.

	Continuing operations	Group Discontinued operations	Total
2019			
Net (loss)/profit attributable to equity holders of the Company (US\$'000)	(870)	2,736	1,866
Weighted average number of ordinary shares ('000)	390,388	390,388	390,388
Basic and diluted (loss)/earnings (US cents per share)	(0.22)	0.70	0.48
2018			
Net (loss)/profit attributable to equity holders of the Company (US\$'000)	(759)	1,532	773
Weighted average number of ordinary shares ('000)	390,388	390,388	390,388
Basic and diluted (loss)/earnings (US cents per share)	(0.19)	0.39	0.20

10 Cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	483	2,207	483	38
Short-term bank deposits	2,315	2,817	2,315	704
	<u>2,798</u>	<u>5,024</u>	<u>2,798</u>	<u>742</u>

Notes to the Financial Statements

For the financial year ended 31 December 2019

10 Cash and bank balances (Cont'd)

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the followings:

	Group	
	2019	2018
	US\$'000	US\$'000
Cash and bank balances (as above)	2,798	5,024
Less: Restricted cash	–	(250)
	<u>2,798</u>	<u>4,774</u>
Assets of disposal group classified as held-for-sale		
Cash and bank balances (Note 8)	<u>9,652</u>	<u>–</u>
Cash and cash equivalents as per consolidated statements of cash flows	<u>12,450</u>	<u>4,774</u>

Short-term bank deposits are made for varying periods of between 14 days to 31 days depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. Included in cash and bank balances were bank deposits amounting to nil (2018: US\$250,000) which are restricted in relation to security granted for certain borrowings (Note 19).

11 Financial assets, at fair value through profit or loss

	Group and Company	
	2019	2018
	US\$'000	US\$'000
Beginning of financial year	75	–
Addition	–	75
Fair value loss	(41)	–
End of financial year	<u>34</u>	<u>75</u>

	Group and Company	
	2019	2018
	US\$'000	US\$'000
Current		
Listed security		
Equity security - Singapore	<u>34</u>	<u>75</u>

The instrument is mandatorily measured at fair value through profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2019

12 Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables				
- Non-related parties	-	4,775	-	-
Less: Loss allowance (Note 29(b)(ii))	-	(196)	-	-
	-	4,579	-	-
- Related parties	-	4,701	-	-
	-	9,280	-	-
Advances to staff	-	28	-	-
Interest receivable	-	-	-	1
VAT receivables	-	69	-	-
	-	9,377	-	1
Movement in allowance loss of other receivables:				
Beginning of financial year	-	-	-	17,356
Write-off	-	-	-	(17,356)
End of financial year	-	-	-	-

Trade receivables are pledged as securities granted for certain bank borrowings (Note 19).

During the financial year 2017, allowance loss of other receivables from certain subsidiary corporations were made after taking into the consideration of the financial condition and the Group has no future business plan for the subsidiary corporations. These subsidiary corporations were also not in operations since financial year 2016. Accordingly, the Company write-off the other receivables from these subsidiary corporations during the financial year 2018.

13 Inventories

	Group	
	2019	2018
	US\$'000	US\$'000
Fuel	-	859
Consumables	-	2,032
	-	2,891

Inventories of the Group have been pledged as security granted for certain bank borrowings (Note 19).

Notes to the Financial Statements

For the financial year ended 31 December 2019

14 Other current assets

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Prepayments	41	290	41	39
Deposits	6	6	6	6
	<u>47</u>	<u>296</u>	<u>47</u>	<u>45</u>

15 Investments in subsidiary corporations

	Company	
	2019	2018
	US\$'000	US\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	23,160	23,160
Capital reduction	(130)	–
End of financial year	<u>23,030</u>	<u>23,160</u>
Loans to a subsidiary corporation	<u>6,199</u>	<u>6,908</u>
Total investments in subsidiary corporations	29,229	30,068
Reclassified to non-current assets classified as held-for-sale (Note 8)	(28,337)	–
Impairment loss	(858)	(855)
Net carrying amount of equity investments	<u>34</u>	<u>29,213</u>

Loans to a subsidiary corporation are unsecured and interest-free. There is no definite date of repayment as the Company intends to provide the loans as financing for the investment of the subsidiary corporation over the long term. The settlement of these loans are neither planned nor likely to occur in the foreseeable future, accordingly, the loans are considered to be quasi-capital loans and form part of the Company's costs of investments in the subsidiary corporations.

Impairment losses on equity investments

	Company	
	2019	2018
	US\$'000	US\$'000
Beginning of financial year	855	855
Allowance made	3	–
End of financial year	<u>858</u>	<u>855</u>

Management assessed for impairment whenever there is any objective evidence or indication that investments in subsidiary corporations may be impaired. An allowance for impairment loss was made in respect of the Company's investments in certain subsidiary corporations to reduce the carrying amount of the investments to the recoverable amounts. The recoverable amounts of investments in certain subsidiary corporations have been determined based on value-in-use. The management estimated that value-in-use for those investments in subsidiary corporations to be nil after taking into the consideration of the financial condition and there is no future business plan for the subsidiary corporations. The subsidiary corporations were also not in operations since financial year 2016.

Notes to the Financial Statements

For the financial year ended 31 December 2019

15 Investments in subsidiary corporations (Cont'd)

The Group had the following subsidiary corporations as at 31 December 2019 and 2018:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the respective entities		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2019	2018	2019	2018	2019	2018
			%	%	%	%	%	%
<u>Held by the Company</u>								
Trans LK Marine Pte Ltd ^{(1) (5)}	Investment holding	Singapore	100	100	100	100	–	–
Trellis Group Holdings Ltd ⁽³⁾	Investment holding	British Virgin Islands	100	100	100	100	–	–
Seroja Shipping Services Pte Ltd ^{(1) (4)}	Investment holding	Singapore	50	50	50	50	50	50
<u>Held by Trans LK Marine Pte Ltd</u>								
PT. Pulau Seroja Jaya ^{(2) (4) (5)}	Provision of marine transportation of drybulk freight	Indonesia	48	48	48	48	52 ⁽⁶⁾	52 ⁽⁶⁾
<u>Held by PT. Pulau Seroja Jaya</u>								
PT. Pulau Seroja Jaya Pratama ^{(2) (4) (5)}	Provision of marine transportation of drybulk freight	Indonesia	99.8	99.8	47.9	47.9	52.1	52.1
PT. Seroja Pratama Maritim ^{(2) (4) (5)}	Provision of marine transportation of drybulk freight	Indonesia	0.5	0.5	0.2	0.2	0.3	0.3
<u>Held by PT. Pulau Seroja Jaya Pratama</u>								
PT. Bintang Pertama Lines ^{(2) (4) (5)}	Provision of marine transportation of drybulk freight	Indonesia	99.8	99.8	47.9	47.9	51.9	51.9
PT. Seroja Pratama Maritim ^{(2) (3) (4) (5)}	Provision of marine transportation of drybulk freight	Indonesia	99.5	99.5	47.8	47.8	51.7	51.7
<u>Held by Trellis Group Holdings Ltd</u>								
Trellis Shipping Limited ⁽³⁾	Provision of marine transportation of drybulk freight	British Virgin Islands	100	100	100	100	-	-
Seroja-Zhushui Shipping Ltd ^{(3) (4)}	Provision of marine transportation of drybulk freight	British Virgin Islands	50	50	50	50	50	50

Notes to the Financial Statements

For the financial year ended 31 December 2019

15 Investments in subsidiary corporations (Cont'd)

- (1) Audited by Nexia TS Public Accounting Corporation, Singapore, an independent member firm of Nexia International.
- (2) Audited by KAP Kanaka Puradiredja Suhartono, Indonesia, an independent member firm of Nexia International.
- (3) Not required to be audited or it is presently dormant.
- (4) Regarded as subsidiary corporations on the basis that the Group controls the entity based on the exposure to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- (5) Disposal group
- (6) Non-controlling interests have 49.47% voting rights in PT. Pulau Seroja Jaya.

Carrying value in non-controlling interests

	2019 US\$'000	2018 US\$'000
PT. Pulau Seroja Jaya and its subsidiary corporations	34,423	32,279
Seroja-Zhushui Shipping Ltd	3,494	3,494
Seroja Shipping Services Pte Ltd	17	168
Total	<u>37,934</u>	<u>35,941</u>

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information for each subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no material transactions with non-controlling interests for the financial years ended 31 December 2019 and 2018.

Summarised balance sheet

	PT. Pulau Seroja Jaya and its subsidiary corporations		Seroja-Zhushui Shipping Ltd	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Current				
Assets	21,818	16,799	34,168	34,168
Liabilities	(6,661)	(10,592)	(27,180)	(27,180)
Total current net assets	<u>15,157</u>	<u>6,207</u>	<u>6,988</u>	<u>6,988</u>
Non-current				
Assets	52,022	56,518	—	—
Liabilities	(782)	(931)	—	—
Total non-current net assets	<u>51,240</u>	<u>55,587</u>	<u>—</u>	<u>—</u>
Net assets	<u>66,397</u>	<u>61,794</u>	<u>6,988</u>	<u>6,988</u>

Notes to the Financial Statements

For the financial year ended 31 December 2019

15 Investments in subsidiary corporations (Cont'd)

Summarised statement of comprehensive income

	PT. Pulau Seroja Jaya and its subsidiary corporations		Seroja-Zhushui Shipping Ltd	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue				
Profit before income tax	38,052	37,189	–	–
Income tax expense	5,216	3,598	–	–
Net profit	(414)	(406)	–	–
	4,802	3,192	–	–
Other comprehensive loss	321	(71)	–	–
Total comprehensive income	5,123	3,121	–	–
Total other comprehensive income allocated to non-controlling interests	2,664	1,623	–	–

Summarised statement of cash flows

	PT. Pulau Seroja Jaya and its subsidiary corporations		Seroja-Zhushui Shipping Ltd	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Cash generated from operations	17,229	13,709	–	–
Income tax paid	(508)	(451)	–	–
Net cash provided by operating activities	16,721	13,258	–	–
Net cash used in investing activities	(7,997)	(3,941)	–	–
Net cash used in financing activities	(3,103)	(6,819)	–	–
Net increase in cash and cash equivalents	5,621	2,498	–	–
Cash and cash equivalents at beginning of year	4,031	1,533	–	–
Cash and cash equivalents at end of year	9,652	4,031	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2019

16 Investments in associated companies

	Group	
	2019	2018
	US\$'000	US\$'000
Beginning of financial year	315	313
Capital reduction	(296)	-
Share of profit for the year (Note 9)	7	2
Impairment loss	(26)	-
End of financial year	<u>-</u>	<u>315</u>

Set out below are the associated companies of the Group as at 31 December 2019 and 2018. The associated companies as listed below have share capital consisting solely of ordinary shares, which are held by a subsidiary corporation of the Group. The country of incorporation is also their principal place of business.

Name of entities	Principal activities	Country of incorporation	% of ownership interest	
			2019	2018
<u>Held by Seroja Shipping Services Pte Ltd</u>				
PT. Sinar Mentari Prima ^{(1) (2)}	Provision of marine transportation	Indonesia	30	30
PT. Pelayaran Antarbuwana Pertala ^{(1) (2)}	Provision of marine transportation	Indonesia	30	30

⁽¹⁾ Not required to be audited as it is presently dormant.

⁽²⁾ For consolidation purpose, limited review procedures were performed by Nexia TS Public Accounting Corporation, Singapore.

There are no contingent liabilities relating to the Group's interest in the associated companies.

Notes to the Financial Statements

For the financial year ended 31 December 2019

16 Investments in associated companies (Cont'd)

Summarised financial information for associated companies

Set out below are the summarised financial information for PT. Sinar Mentari Prima, which is material to the Group.

Summarised balance sheet

	2019 US\$'000	2018 US\$'000
Current assets	<u>210</u>	<u>976</u>
Includes:		
- Cash and cash equivalents	210	976
Current liabilities	<u>(123)</u>	<u>-</u>
Net assets	<u>87</u>	<u>976</u>

Summarised statement of comprehensive income

	2019 US\$'000	2018 US\$'000
Interest income	7	14
Expenses		
Includes:		
- Depreciation	-	-
- Interest expense	-	-
Profit before tax	<u>24</u>	<u>12</u>
Income tax expense	<u>-</u>	<u>-</u>
Net profit, representing total comprehensive income	<u>24</u>	<u>12</u>

The information above reflects the amounts presented in the financial statements of the associated companies (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and associated companies.

Notes to the Financial Statements

For the financial year ended 31 December 2019

16 Investments in associated companies (Cont'd)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associated companies, is as follows:

	2019 US\$'000	2018 US\$'000
Net assets – At 1 January	976	964
Capital reduction	(913)	–
Profit for the year	24	12
Net assets – At 31 December	87	976
Carrying value/Interest in associated company (30%)	26	293
Impairment loss in associated company	(26)	–
Add: Carrying value of immaterial associated company	–	22
Carrying value of Group's interest in associated companies	–	315

17 Property, plant and equipment

Group	Land	Buildings	Vessels	Drydocking	Machinery and equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Total
2019	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Cost</i>									
Beginning of financial year	79	582	142,321	25,828	722	345	125	7	170,009
Additions	-	-	1,000	6,441	-	71	-	-	7,512
Disposals	-	-	-	-	-	(217)	-	-	(217)
Reclassified to assets of disposal group classified as held-for-sale (Note 8)	(79)	(582)	(143,137)	(32,567)	(722)	(199)	(113)	-	(177,399)
Currency translation differences	-	-	(184)	298	-	-	-	-	114
End of financial year	-	-	-	-	-	-	12	7	19
<i>Accumulated depreciation and impairment losses</i>									
Beginning of financial year	-	278	92,003	20,070	722	292	119	7	113,491
Depreciation charge	-	29	7,375	4,816	-	24	3	-	12,247
Disposals	-	-	-	-	-	(217)	-	-	(217)
Reclassified to assets of disposal group classified as held-for-sale (Note 8)	-	(307)	(99,172)	(24,967)	(722)	(99)	(110)	-	(125,377)
Currency translation differences	-	-	(206)	81	-	-	-	-	(125)
End of financial year	-	-	-	-	-	-	12	7	19
Net book value									
End of financial year	-	-	-	-	-	-	-	-	-

- (a) Bank borrowings of the Group are secured by the vessels of subsidiary corporations with carrying amount of approximately nil (2018: US\$42,800,000) (Note 19).
- (b) The carrying amount of vessels and motor vehicles held under finance lease are nil (2018: US\$1,758,000) and nil (2018: US\$32,000) respectively at the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2019

Notes to the Financial Statements

For the financial year ended 31 December 2019

17 Property, plant and equipment (Cont'd)

Group	Land	Buildings	Vessels	Drydocking	Machinery and Equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Total
2018	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost									
Beginning of financial year	79	582	141,239	21,634	722	324	124	7	164,711
Additions	-	-	2,000	4,092	-	21	1	-	6,114
Disposals	-	-	(820)	-	-	-	-	-	(820)
Write-off	-	-	-	(57)	-	-	-	-	(57)
Currency translation differences	-	-	(98)	159	-	-	-	-	61
End of financial year	79	582	142,321	25,828	722	345	125	7	170,009
Accumulated depreciation and impairment losses									
Beginning of financial year	-	249	84,636	16,393	722	280	116	7	102,403
Depreciation charge (Note 6)	-	29	7,988	3,666	-	12	3	-	11,698
Disposals	-	-	(511)	-	-	-	-	-	(511)
Write-off	-	-	-	(32)	-	-	-	-	(32)
Currency translation differences	-	-	(110)	43	-	-	-	-	(67)
End of financial year	-	278	92,003	20,070	722	292	119	7	113,491
Net book value									
End of financial year	79	304	50,318	5,758	-	53	6	-	56,518

Notes to the Financial Statements

For the financial year ended 31 December 2019

17 Property, plant and equipment (Cont'd)

Company	Office Equipment	Furniture and Fittings	Total
2019	US\$'000	US\$'000	US\$'000
<i>Cost</i>			
Beginning and end of financial year	12	7	19
<i>Accumulated depreciation</i>			
Beginning of financial year	11	7	18
Depreciation charge	1	–	1
End of financial year	12	7	19
Net book value			
End of financial year	–	–	–
2018			
<i>Cost</i>			
Beginning and end of financial year	12	7	19
<i>Accumulated depreciation</i>			
Beginning of financial year	10	7	17
Depreciation charge	1	–	1
End of financial year	11	7	18
Net book value			
End of financial year	1	–	1

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For the financial year ended 31 December 2019

18 Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables:				
- Non-related parties	–	2,352	–	–
Other payables:				
- Subsidiary corporations	–	–	34	20
- Director	2,000	–	2,000	–
	2,000	–	2,034	20
Accrued operating expenses	458	656	184	173
	<u>2,458</u>	<u>3,008</u>	<u>2,218</u>	<u>193</u>

The non-trade amount due to subsidiary corporations and a related party are unsecured, interest-free and are repayable on demand.

The non-trade amount due to a director pertains to deposit received for the Proposed Disposal of TLM Group.

19 Borrowings

	Group	
	2019	2018
	US\$'000	US\$'000
Bank loans - secured		
Current	–	5,690

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
6 months or less	–	5,690

There is nil (2018: one) secured loan held by the Group as at 31 December 2019. The terms of repayment are as follows:

		Group	
		2019	2018
Maturity date		US\$'000	US\$'000
Floating rate	Repayable on demand (2018: April 2019)	–	5,690

Notes to the Financial Statements

For the financial year ended 31 December 2019

19 Borrowings (Cont'd)

Security granted

Total borrowings include secured liabilities of nil (2018: US\$5,690,000) for the Group.

Bank borrowings of the Group are secured by the following:

- certain vessels of subsidiary corporations (Note 17);
- pledge of the shares of subsidiary corporations by certain shareholders;
- an assignment of all moneys and rights to receive money in respect of any of the pledged vessels, and their respective insurances;
- an assignment of all rights in respect of certain coal barging contracts;
- a charge on the cash, receivables and inventories of subsidiary corporations;
- personal guarantees by certain directors of related parties.

20 Lease liabilities

The Group leases vessels and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group	
	2019	2018
	US\$'000	US\$'000
Minimum lease payments due		
- Not later than one year	–	608
- Between one and five years	–	73
	–	681
Less: Future finance charges	–	(49)
	–	632

Lease liabilities are analysed as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
Not later than one year	–	564
Between one and five years	–	68
Total	–	632

Lease liabilities of the Group are effectively secured over the leased vessels and motor vehicles (Note 17), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

Notes to the Financial Statements

For the financial year ended 31 December 2019

21 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
<i>Deferred income tax liabilities (to be settled after one year):</i>		
Fair value gains on property, plant and equipment on acquisition of subsidiary corporation		
Beginning of financial year	129	174
Credited to profit or loss (Note 9)	(45)	(45)
Reclassified to assets of disposal group classified as held-for-sale (Note 8)	(84)	–
End of financial year	<u>–</u>	<u>129</u>

No deferred tax liabilities has been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiary corporations established in Indonesia as the Group is in a position to control the timing of distributions and it is not probable that these subsidiary corporations will distribute such earnings in the foreseeable future. The deferred tax liabilities not recognised are approximately nil (2018: US\$2,404,000).

22 Post-employment benefits

The Group's subsidiary corporations operate in Indonesia have unfunded defined benefit plans for its employees. These plans are final salary retirement and severance benefits.

	Group	
	2019	2018
	US\$'000	US\$'000
Obligation recognised in the balance sheet for:		
Defined benefit plans	<u>–</u>	<u>734</u>
Expenses charged to profit or loss:		
Defined benefit plans	<u>–</u>	<u>153</u>
Remeasurement for:		
Defined benefit plans	<u>–</u>	<u>69</u>
The amount recognised in the balance sheet is determined as follows:		
Present value of unfunded defined benefit obligation recognised in the balance sheet	<u>–</u>	<u>734</u>

Notes to the Financial Statements

For the financial year ended 31 December 2019

22 Post-employment benefits (Cont'd)

The movement in present value of the unfunded defined benefit obligation is as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
Beginning of financial year	734	713
Current service cost	147	152
Interest expense	(1)	8
	146	160
Remeasurements:		
- Actuarial loss	(95)	(69)
	(95)	(69)
Currency translation	42	(59)
Benefits paid during the year	(151)	(11)
Reclassified to assets of disposal group classified as held-for-sale (Note 8)	(676)	–
End of financial year	–	734

The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	8.13%	8.13%
Salary growth rate	5%	5%
Mortality rate ("MR") *	TMI '11	TMI '11
Disability rate	10% of MR	10% of MR

*Based on Indonesian Mortality Table

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on defined benefit obligation			
	Change in assumption	Increase in assumption 2018	Decrease in assumption
Discount rate	1%	Decrease by 4.47% to 8.27%	Increase by 5.01% to 9.16%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the balance sheet date) has been applied as when calculating the post-employment benefits liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis are consistent with the previous reporting period.

Notes to the Financial Statements

For the financial year ended 31 December 2019

23 Share capital

Group		Company	
Number of ordinary shares	Amount	Number of ordinary shares	Amount
'000	US\$'000	'000	US\$'000

Issued and fully paid

Beginning and end of financial year	390,388	31,801	390,388	56,951
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There is no par value for these ordinary shares. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Reverse acquisition

At Group level

The acquisition of Trans LK Marine Limited ("Trans LK") in 2009 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Trans LK, which is the legal subsidiary corporation, is considered the acquirer for accounting purposes. Accordingly, the consolidated statement of comprehensive income, balance sheets, statement of changes in equity and cash flow statement of the Group have been prepared as a continuation of Trans LK's financial statements.

24 Other reserve

The other reserve represents the effect of the changes in the Group's ownership interest in a subsidiary corporation that do not result in loss of control over the subsidiary corporation.

25 Accumulated losses

- (a) Retained profits are distributable.
- (b) Movement in accumulated losses of Company is as follows:

	Company	
	2019	2018
	US\$'000	US\$'000
Beginning of financial year	(27,067)	(26,306)
Net loss	(852)	(761)
End of financial year	(27,919)	(27,067)

Notes to the Financial Statements

For the financial year ended 31 December 2019

26 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

- (a) Sales and purchases of goods and services

	Group	
	2019	2018
	US\$'000	US\$'000
<i>Discontinued operations</i>		
Charter revenue from related party	14,869	16,519

Outstanding balances as at 31 December 2019 and 2018, arising from related transactions are disclosed in Note 12 and Note 18 to the financial statements.

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

- (b) Key management personnel compensation is as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
<i>Continuing operations</i>		
Directors' fees	223	223
Salaries and bonuses	203	181
Employers' contributions to CPF	12	10
	438	414
<i>Discontinued operations</i>		
Salaries and bonuses	166	144
Other short-term benefit	28	22
	194	166
Total	632	580

Included in the salaries and bonuses above are total directors' remunerations of US\$197,000 (2018: US\$176,000).

Notes to the Financial Statements

For the financial year ended 31 December 2019

27 Commitments

Operating lease commitments – where the Group is a lessee

The Group leases office unit from non-related parties under non-cancellable operating lease agreements. The future minimum lease payments payable under the non-cancellable short-term operating leases as at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
Not later than one year	17	17

28 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

(a) Market risk

(i) Currency risk

The Group operates in Singapore and Indonesia. The entities of the Group regularly transact in their respective functional currencies. Transactions in currencies other than their respective functional currencies ("foreign currency") are denominated mainly in Singapore Dollar ("SGD") and Indonesian Rupiah ("IDR").

The Group's currency exposure based on the information provided to key management is as follows:

	USD	SGD	Total
	US\$'000	US\$'000	US\$'000
At 31 December 2019			
Financial assets			
Cash and bank balances	2,756	42	2,798
Other current assets	6	–	6
Financial assets, at fair value through profit or loss	–	34	34
Intra-group receivables	69,532	–	69,532
	72,294	76	72,370
Financial liabilities			
Trade and other payables	(2,274)	(184)	(2,458)
Intra-group payables	(69,532)	–	(69,532)
	(71,806)	(184)	(71,990)

Notes to the Financial Statements

For the financial year ended 31 December 2019

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

	USD US\$'000	SGD US\$'000	Total US\$'000
Net financial (liabilities)/assets	488	(108)	380
Less: Net financial liabilities denominated in the functional currencies of respective entities	(488)	–	(488)
Currency exposure	–	(108)	(108)

	USD US\$'000	SGD US\$'000	IDR US\$'000	Total US\$'000
At 31 December 2018				
Financial assets				
Cash and bank balances	2,109	27	2,888	5,024
Trade and other receivables	–	–	9,308	9,308
Other current assets	6	–	–	6
Financial assets, at fair value through profit or loss	–	75	–	75
Intra-group receivables	70,227	–	–	70,227
	72,342	102	12,196	84,640
Financial liabilities				
Trade and other payables	(514)	(173)	(2,321)	(3,008)
Borrowings	(5,690)	–	–	(5,690)
Finance lease liabilities	(632)	–	–	(632)
Intra-group payables	(70,227)	–	–	(70,227)
	(77,063)	(173)	(2,321)	(79,557)
Net financial (liabilities)/assets	(4,721)	(71)	9,875	5,083
Less: Net financial liabilities denominated in the functional currencies of respective entities	4,721	–	–	4,721
Currency exposure	–	(71)	9,875	9,804

Notes to the Financial Statements

For the financial year ended 31 December 2019

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

The Company's currency exposure based on the information provided to key management is as follows:

	USD US\$'000	SGD US\$'000	Total US\$'000
At 31 December 2019			
Financial assets			
Cash and bank balances	2,756	42	2,798
Financial assets, at fair value through profit or loss	–	34	34
Other current assets	6	–	6
	<u>2,762</u>	<u>76</u>	<u>2,838</u>
Financial liabilities			
Trade and other payables	(2,034)	(184)	(2,218)
	<u>728</u>	<u>(108)</u>	<u>620</u>
Net financial assets/(liabilities)			
Less: Net financial assets denominated in the functional currency of the Company	(728)	–	(728)
Currency exposure	<u>–</u>	<u>(108)</u>	<u>(108)</u>
At 31 December 2018			
Financial assets			
Cash and bank balances	716	26	742
Financial assets, at fair value through profit or loss	–	75	75
Other current assets	6	–	6
	<u>722</u>	<u>101</u>	<u>823</u>
Financial liabilities			
Trade and other payables	(20)	(173)	(193)
	<u>702</u>	<u>(72)</u>	<u>630</u>
Net financial assets/(liabilities)			
Less: Net financial assets denominated in the functional currency of the Company	(702)	–	(702)
Currency exposure	<u>–</u>	<u>(72)</u>	<u>(72)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2019

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

If the SGD and IDR change against USD by 5% (2018: 1%) and 4% (2018: 1%) respectively with all other variables held constant, the effects arising from the net currency exposure would increase/ (decrease) profit before income tax by the amounts shown below:

	2019 US\$'000	2018 US\$'000
Group		
SGD against USD		
- strengthened	(7)	(4)
- weakened	7	4
IDR against USD		
- strengthened	-	395
- weakened	-	(395)
Company		
SGD against USD		
- strengthened	(7)	(4)
- weakened	7	4

(ii) Equity price risks

The Group is exposed to equity security price risk arising from the investment held by the Group which is classified at financial assets, at fair value through profit or loss. The security is listed in Singapore. As at 31 December 2019 and 2018, the Group has only one investment in security which was acquired in financial year 2018.

If the prices for equity security listed in Singapore had changed by 15% with other variables including tax rate being held constant, the effect on profit after tax would have been increased/(decreased) by US\$5,100 (2018: US\$11,250).

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings at floating interest rates.

The Group's exposure to interest rate risks arises mainly from variable-rate bank borrowings. The Group manages these interest rate risks using floating-to-fixed interest rate swap.

Notes to the Financial Statements

For the financial year ended 31 December 2019

28 Financial risk management (Cont'd)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining cash deposits to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the sales director based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management.

The Group's trade receivables comprise nil (2018: 3 debtors) that represent nil (2018: 73%) of trade receivables. As the Group and the Company do not hold collateral, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

Cash and cash equivalents, trade and other receivables are subject to immaterial credit loss.

Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on individual characteristic of each customer and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

More than 55% of the Group's customers have been transacting with the Group for over 3 years, and none of these customers' balance have been written off or are credit-impaired at the balance sheet date.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments after 120 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 365 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2019

28 Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Trade receivables (Cont'd)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2019 and 31 December 2018 are set out in the provision matrix as follows:

2019	Current	Within 30 to 120 days	121 to 150 days	150 to 365 days	More than 365 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Expected credit loss rate	–	–	3%	8%	100%	
Trade receivables	–	–	–	–	–	–
Loss allowance	–	–	–	–	–	–

2018	Current	Within 30 to 120 days	121 to 150 days	150 to 365 days	More than 365 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Expected credit loss rate	–	–	3%	8%	100%	
Trade receivables	7,825	1,455	–	–	–	9,280
Loss allowance	–	–	–	–	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2019

28 Financial risk management (Cont'd)

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year US\$'000	Between 2 and 5 years US\$'000
Group		
At 31 December 2019		
Trade and other payables	2,458	–
At 31 December 2018		
Trade and other payables	3,008	–
Borrowings	5,690	–
Finance lease liabilities	608	73
	9,306	73
Company		
At 31 December 2019		
Trade and other payables	2,218	–
At 31 December 2018		
Trade and other payables	193	–

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return of capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Notes to the Financial Statements

For the financial year ended 31 December 2019

28 Financial risk management (Cont'd)

(d) Capital risk (Cont'd)

Management monitors capital based on gearing ratio and compliance of externally imposed capital requirements which were unchanged from 2018. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total of borrowings, finance lease liabilities and trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Net debt	–	4,306	–	–
Total equity	68,316	64,303	29,032	29,884
Total capital	<u>68,316</u>	<u>68,609</u>	<u>29,032</u>	<u>29,884</u>
Gearing ratio	<u>–</u>	<u>6%</u>	<u>–</u>	<u>–</u>

A group of subsidiary corporations in Indonesia is subject to externally imposed capital requirements for the financial year ended 31 December 2018. The management of the subsidiary corporations' strategy is to maintain: (i) minimum debt service coverage ratio of 1.1 times and (ii) maximum debt to tangible net worth ratio of 2.5 times at all times.

The Group is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2018 and the Group is not subject to any externally imposed capital requirements for the financial years ended 31 December 2019. The Company is not subject to any externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(e) Fair value measurements

The fair value of financial asset, at fair value through profit or loss is measured at quoted price (unadjusted) in active market for identical asset (Level 1 of fair value measurement hierarchy) (Note 11). The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair values.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets, fair value through profit or loss	34	75	34	75
Financial assets, at amortised cost	2,804	14,338	2,804	749
Financial liabilities, at amortised cost	<u>2,458</u>	<u>9,330</u>	<u>2,218</u>	<u>193</u>

Notes to the Financial Statements

For the financial year ended 31 December 2019

29 Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors ("BOD") for the purpose of making strategic decisions, allocating resources, and assessing performance. For each of the strategic business units, the BOD (the chief operating decision maker) reviews internal management reports on at least quarterly basis.

The BOD comprises three independent directors and four non-independent directors. The BOD considers the business from both geographic and business segment perspective. The Group operates primarily in two geographical areas, namely Indonesia and Singapore. During the financial years ended 31 December 2019 and 2018, the Group generated revenue solely from its freight and time charter segment in Indonesia. However, arising from the Proposed Disposal (Note 8), the entire results from freight and time charter segment was presented separately on the statement of comprehensive income as "Discontinued operations" for the financial year ended 31 December 2019.

There are no business activities under continuing operations of the Group. As such, no segment information is presented.

30 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted:

Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

Statistics of Shareholdings

AS AT 18 MARCH 2020

Share Capital

Number of shares issued : 390,388,110

Class of shares : Ordinary shares

Voting rights : One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 18 MARCH 2020

<u>SIZE OF SHAREHOLDINGS</u>	<u>NO. OF SHAREHOLDERS</u>	<u>%</u>	<u>NO. OF SHARES</u>	<u>%</u>
1 - 99	10,502	62.77	206,961	0.05
100 - 1,000	4,162	24.87	1,387,580	0.36
1,001 - 10,000	1,148	6.86	4,466,520	1.14
10,001 - 1,000,000	896	5.36	57,485,834	14.73
1,000,001 AND ABOVE	24	0.14	326,841,215	83.72
TOTAL	16,732	100.00	390,388,110	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2020

<u>NO.</u>	<u>SHAREHOLDER'S NAME HELD</u>	<u>NO. OF SHARES</u>	<u>%</u>
1	UOB KAY HIAN PTE LTD	91,351,437	23.40
2	CITIBANK NOMINEES SINGAPORE PTE LTD	84,924,793	21.75
3	REAVIS GLOBAL LTD	36,325,195	9.30
4	RAFFLES NOMINEES (PTE) LIMITED	27,273,585	6.99
5	MAYBANK KIM ENG SECURITIES PTE.LTD.	20,429,041	5.23
6	QUARTO CAPITAL INVESTMENT LIMITED	13,213,530	3.38
7	ATTICA FINANCE LTD	6,760,714	1.73
8	NG HWEE KOON	5,810,100	1.49
9	OCBC SECURITIES PRIVATE LTD	4,306,488	1.10
10	EMAS FORTUNA LIMITED	4,225,446	1.08
11	IFAST FINANCIAL PTE LTD	4,040,080	1.03
12	LAI YEW FEI (LI YAOHUI)	3,750,200	0.96
13	MITO INVESTMENTS LIMITED	3,380,357	0.87
14	KOH HANG HENG	3,359,600	0.86
15	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,885,674	0.74
16	SEOW MING LIANG	2,838,500	0.73
17	LEE KAI HENG	1,900,000	0.49
18	PHILLIP SECURITIES PTE LTD	1,670,523	0.43
19	DBS NOMINEES PTE LTD	1,660,730	0.43
20	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,658,700	0.42
	TOTAL	321,764,693	82.41

Statistics of Shareholdings

AS AT 18 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 18 March 2020.

Name of Substantial Shareholders	Number of shares registered in the name of substantial shareholders	Number of shares in which the substantial shareholder is deemed to have an interest	Total	%
PT Saratoga Investama Sedaya Tbk	90,812,988	–	90,812,988	23.26
Reavis Global Ltd	36,325,195	–	36,325,195	9.30
Mr Edwin Soeryadjaya ⁽¹⁾	24,270,349	90,812,988	115,083,337	29.48
Mr Sandiaga Salahuddin Uno ⁽²⁾	–	97,573,702	97,573,702	24.99
Mr Masdjan ⁽³⁾	–	36,325,195	36,325,195	9.30

- (1) Mr Edwin Soeryadjaya is deemed interested in the shares held by PT Saratoga Investama Sedaya Tbk by virtue of Section 7 of the Companies Act, Chapter 50.
- (2) Mr Sandiaga Salahuddin Uno is deemed interested in the shares held by Attica Finance Ltd and PT Saratoga Investama Sedaya Tbk by virtue of Section 7 of the Companies Act, Chapter 50.
- (3) Mr Masdjan is deemed interested in the shares held by Reavis Global Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on information available to the Company as at 18 March 2020, approximately 50.45% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

Disclosure of Information On Directors Seeking Re-Election

Mr Yap Kian Peng, Mr Ng Yuen and Mr Low Chee Chiew (collectively, the “Retiring Directors” and each a “Retiring Director”) are the Directors seeking re-election at the forthcoming Annual General Meeting (“AGM”) of the Company to be convened on an upcoming date to be announced through SGXNet.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	Mr Yap Kian Peng	Mr Ng Yuen	Mr Low Chee Chiew
Date of appointment	14 August 2009	14 August 2009	12 May 2017
Date of last re-appointment	28 April 2017	28 April 2017	Not applicable
Age	54	59	56
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board approved the re-appointment after having considered the recommendation of the NC and has reviewed and assessed Mr Yap Kian Peng's qualifications, experience and contributions. The Board is of the view that Mr Yap Kian Peng has the requisite experience, knowledge and capabilities to assume the duties and responsibilities as an Independent Director.	The Board approved the re-appointment after having considered the recommendation of the NC and has reviewed and assessed Mr Ng Yuen's qualifications, experience and contributions. The Board is of the view that Mr Ng Yuen has the requisite experience, knowledge and capabilities to assume the duties and responsibilities as an Independent Director.	The Board approved the re-appointment after having considered the recommendation of the NC and has reviewed and assessed Mr Low Chee Chiew's qualifications, experience and contributions. The Board is of the view that Mr Low Chee Chiew has the requisite experience, knowledge and capabilities to assume the duties and responsibilities as an Independent Director.
Whether appointment is executive, and if so, the area of responsibility	No	No	No
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	- Independent Director - Chairman of Audit Committee - Chairman of Remuneration Committee	- Independent Director - Chairman of Nomination Committee	Independent Director

Disclosure of Information On Directors Seeking Re-Election

Professional qualifications and working experience and occupation(s) during the past 10 years	Mr Yap Kian Peng holds a Bachelor's degree in Business (Business Administration) from RMIT University, Australia. He is presently an Executive Director and Deputy Chairman of Jackspeed Corporation Limited which is listed on the SGX-ST and is also an independent director and the Chairman of the Audit Committee of M Development Limited, listed on the SGX-ST and is an independent director of Soon Lian Holdings Limited which is listed on the SGX-Catalist.	Mr Ng Yuen graduated from the Law Faculty of National University of Singapore, Singapore with a Bachelor's degree in Law in 1985. He is an accredited adjudicator of the Singapore Mediation Centre and an accredited arbitrator with the Singapore Institute of Arbitrators, as well as a member of the Law Society of Singapore and the Singapore Academy of Law. He is currently a partner in Messrs Malkin & Maxwell LLP, which he joined in 1999.	Mr Low Chee Chiew holds a Bachelor of Business (Marketing) from La Trobe Melbourne being conferred Golden Key International Honors and is a member of the Singapore Institute of Directors. Mr Low was a private banker with Malayan Banking Berhad Singapore ("Maybank") from 2011 to 2016 and was responsible for the acquisition of new to bank, high net worth clients from the North Asia region and ASEAN countries. He is a Director of Xi Er Trading Pte Ltd since 2011 and is a Director of Blue Ocean Waste Management Pte Ltd since December 2018.
Shareholding interest in the Company and its subsidiaries	Company:- Nil Subsidiaries:- Nil	Company:- Nil Subsidiaries:- Nil	Company:- Nil Subsidiaries:- Nil
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes

Disclosure of Information On Directors Seeking Re-Election

Other principal commitments including Directorships			
Past (for the last 5 years)	<u>Director</u> Agrow Development Pte. Ltd. Agrow Land Pte. Ltd. Winsta Holding Pte. Ltd.	<u>Director</u> Nil	<u>Director</u> Jubilee Industries Holdings Ltd
Present	<u>Director</u> Jackspeed Corporation Ltd. Jackspeed Holdings Pte. Ltd. M Development Limited Soon Lian Holdings Limited Capital Equity Holdings Pte. Ltd. Index Agency Pte. Ltd. Index Credit Pte Ltd Jackson Vehicle Holdings Pte. Ltd. Legenda Pte. Ltd. Newfort Realty Pte. Ltd.	<u>Director</u> Nil	<u>Director</u> Xi Er Trading Pte Ltd Blue Ocean Waste Management Pte Ltd
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No

Disclosure of Information On Directors Seeking Re-Election

(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

Disclosure of Information On Directors Seeking Re-Election

(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

Appendix

SEROJA INVESTMENTS LIMITED
(Incorporated in the Republic of Singapore)
(UEN: 198300847M)

Board of Directors :

Mr Edwin Soeryadjaya (Non-Executive Chairman)
Mr Andreas Tjahjadi (Executive Director)
Mr Masdjan (Executive Director)
Mr Ng Soon Kai (Non-Executive Director)
Mr Ng Yuen (Independent Director)
Mr Yap Kian Peng (Independent Director)
Mr Low Chee Chiew (Independent Director)

Registered Office :

50 Raffles Place
#06-00 Singapore Land Tower
Singapore 048623

8 April 2020

To : The Shareholders of Seroja Investments Limited

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR TRANSACTIONS WITH ADARO GROUP

1. Introduction

Seroja Investments Limited (the "**Company**") will be issuing a notice (the "**Notice**") convening the Annual General Meeting (the "**AGM**") of the Company to be held at a date which will be announced later through SGXNet.

Proposed Resolution 8 of the Notice of the AGM relates to the renewal of a general mandate to authorise the Group to continue to enter into transactions with Adaro Group in compliance with Chapter 9 of the Listing Manual.

The purpose of this Appendix is to provide Shareholders with the relevant information pertaining to and to seek Shareholders' approval at the AGM for the renewal of the Shareholders' Mandate for transactions with Adaro Group.

2. Overview of the Adaro Group

The Adaro Group comprises PT Adaro Energy Tbk ("**Adaro Energy**") (listed on the Indonesia Stock Exchange since July 2008) and its existing subsidiaries (including PT Maritim Barito Perkasa) and associated companies together with any of its future subsidiaries and associated companies which may be newly set up or acquired by it from time to time.

Our non-executive chairman, Mr Edwin Soeryadjaya, is the President Commissioner of Adaro Energy. Adaro Energy is technically not an associate of Mr Edwin Soeryadjaya within the meaning of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as he is effectively interested in less than 30% of Adaro Energy. Nonetheless, for the purpose of adopting a higher standard of corporate governance, the Company has treated the Adaro Group as an associate of Mr Edwin Soeryadjaya, and accordingly, transactions with the Adaro Group shall be treated as interested person transactions for the purposes of the Shareholders' Mandate for Adaro Transactions.

3. Shareholders' Mandate for Adaro Transactions

At the AGM of the Company held on 29 April 2019, the Company had obtained a general mandate from Shareholders (the "**Shareholders' Mandate**") to authorise the Company, its subsidiaries and associated companies (the "**Group**") to enter into certain business transactions falling within the categories of interested person transactions described in the Company's Letter to Shareholders dated 8 April 2019 ("**Letter**") with any party who is of the class or classes

of interested persons described in the said Letter, provided that such transactions are made on normal commercial terms in accordance with the guidelines and procedures for review and administration of the interested person transactions as described in the said Letter.

4. Proposed Renewal of Shareholders' Mandate for Adaro Transactions

4.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual of the SGX-ST governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or in aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

In particular, an immediate announcement is required where:

- (a) the transaction is of a value equal to, or more than, three per cent. (3%) of the latest audited consolidated net tangible assets (the "NTA") of the listed company and its subsidiaries; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to three per cent. (3%) or more of the latest audited consolidated NTA of the listed company and its subsidiaries. An announcement will also have to be made immediately of the latest transaction and all future transactions entered into with the same interested person during the financial year; and

Shareholders' approval (in addition to an immediate announcement) is required where:

- (a) the transaction is of a value equal to, or more than, five per cent. (5%) of the latest audited consolidated NTA of the listed company and its subsidiaries; or
- (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, five per cent. (5%) of the latest audited consolidated NTA of the listed company and its subsidiaries. The aggregation will exclude any transaction that has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders.

For the purposes of aggregation, any Interested Person Transaction which is below S\$100,000 is to be excluded.

For illustration purposes, based on the audited consolidated accounts of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019, the audited consolidated NTA of the Group as at 31 December 2019 was US\$30.3 million. Accordingly, in relation to the Group, for the purposes of Chapter 9 of the Listing Manual in the current financial year, Shareholders' approval will be required where:

- (a) the transaction is of a value equal to, or more than, US\$1.5 million, being five per cent. (5%) of the latest audited consolidated NTA of the Group; or
- (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, US\$1.5 million, being five per cent. (5%) of the latest audited consolidated NTA of the Group.

Chapter 9 of the Listing Manual however provides that a listed company may seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials which may be carried out with the listed company's interested persons, but not in respect of the purchase or sale of assets, undertakings or businesses.

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4.2 Definitions

For the purposes of Chapter 9 of the Listing Manual:

- (a) an **"approved exchange"** means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual;
- (b) an **"associate"** means:
 - (i) in relation to any director, chief executive officer or Controlling Shareholder (being an individual):
 - (1) his immediate family member (that is, the person's spouse, child, adopted child, step-child, sibling and parent);
 - (2) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (3) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
 - (ii) in relation to a Controlling Shareholder (being a company), its subsidiary or holding company or a subsidiary company of such holding company or a company in which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more;
- (c) **"Control"** means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;
- (d) a **"Controlling Shareholder"** in relation to a listed company means a person who:
 - (i) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued shares excluding treasury shares in the company (unless the SGX-ST has determined such a person not to be a Controlling Shareholder of the company); or
 - (ii) in fact exercises Control over the company,or such other definition as the SGX-ST may from time to time determine;
- (e) an **"entity at risk"** means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;
- (f) an **"interested person"** means:
 - (i) a director, chief executive officer or Controlling Shareholder of the listed company; or
 - (ii) an associate of such director, chief executive officer or Controlling Shareholder;
- (g) an **"interested person transaction"** means a transaction between an entity at risk and an interested person.

4.3 Shareholders' Mandate

4.3.1 Rationale for and Benefits of the Shareholders' Mandate

The Adaro Transactions (as defined below) are transactions which are likely to recur with some degree of frequency and arise at any time and from time to time.

The Shareholders' Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for entering into such transactions. This will substantially reduce the expenses associated with the convening of the general meetings on an ad hoc basis, improve administrative efficacy, and allow major manpower resources and time to be channelled towards attaining other corporate objectives.

The Shareholders' Mandate is intended to facilitate the Adaro Transactions, provided that they are carried out at arm's length basis and on normal commercial terms, and are not prejudicial to the Company and its minority Shareholders.

4.3.2 Scope of the Shareholders' Mandate

The Shareholders' Mandate will cover a range of transactions arising in the ordinary course of business operations of the Group as set out in paragraph 4.5 below.

The Shareholders' Mandate will not cover any Interested Person Transaction which has a value below S\$100,000 as the threshold and aggregate requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

Transactions with Interested Persons which do not come within the ambit of the proposed renewal of the Shareholders' Mandate will be subject to applicable provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

4.4 Categories of Interested Persons

The Shareholders' Mandate will apply to the Interested Person Transactions (as described in paragraph 4.5 below) to be carried out between any company within the Group and any company within the Adaro Group.

4.5 Categories of Interested Person Transactions

The Group will, in the ordinary course of business, continue to provide chartering services of tugboats and barges for the transportation of mainly thermal coal for the Adaro Group (the "**Adaro Transactions**"). The Adaro Transactions are recurrent transactions of a revenue nature and are not in respect of the purchase or sale of assets, undertakings or businesses. The Shareholders' Mandate for Adaro Transactions will cover all Adaro Transactions.

4.6 Guidelines for the Adaro Transactions

The Group has adopted the following guidelines to ensure that the Adaro Transactions are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and on terms which are generally not more favourable to the Adaro Group than those extended to unrelated third parties:

- (a) the fees charged by the Group shall not be more favourable to the Adaro Group than those offered to unrelated third party customers after taking into consideration factors such as (but not limited to) type of charter, quantum and tenure of the contract, quantity and type of cargo, distance of the voyage, level of risks faced by vessels when plying requested routes (if any), type of vessels required, cargo loading and discharging time, and delivery schedules; and
- (b) the credit period granted by the Group to the Adaro Group shall not be more than 60 days. This is higher than the 30 days credit period generally granted to unrelated third party customers, but is consistent with that presently granted to the Adaro Group, taking into consideration factors such as (but not limited to) the quantum and tenure of the contract and the credit period typically granted by other providers offering similar chartering services to the Adaro Group.

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4.7 Control and Review procedures for the Adaro Transactions

In addition to the above guidelines (as described in paragraph 4.6 above), the following control and review procedures will be implemented by the Company:-

- (a) any Adaro Transaction that is less than or equal to 3% of the Group's latest audited NTA in value will be reviewed and approved by a Director or an Executive Officer of the Group (each of whom shall not be an interested person within the meaning of Chapter 9 of the Listing Manual in respect of the particular transaction) prior to entering into the transaction;
- (b) any Adaro Transaction that exceeds 3% of the Group's latest audited NTA in value (the "**Threshold Limit**") will be reviewed and approved by the Audit Committee prior to entering into the transaction. The Threshold Limit has been set based on the Directors' views on the anticipated value of the potential Adaro Transactions that the Group may enter into with the Adaro Group going forward;
- (c) the Audit Committee will review the Adaro Transactions on a quarterly basis to ensure that they are conducted on normal commercial terms and in accordance with the guidelines and review procedures outlined above and that the relevant approvals have been obtained while examining the adequacy of the Company's internal controls including those relating to Adaro Transactions;
- (d) if, during these reviews, the Audit Committee is of the view that the above guidelines and review procedures have become inappropriate or have been become insufficient to ensure that the Adaro Transactions will be conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from its Shareholders based on new guidelines and procedures. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with the Adaro Group will be subject to prior review and approval by the Audit Committee;
- (e) Mr Edwin Soeryadjaya is a member of the Audit Committee and is interested in the Adaro Transactions, and as such, will abstain from approving the Adaro Transactions. In the event that any other member of the Audit Committee or the Director or Executive Officer of the Group appointed to review and approve the Adaro Transactions is interested in the Adaro Transactions, or is a nominee for the time being of Mr Edwin Soeryadjaya, he or she will abstain from approving that particular transaction;
- (f) the Company will maintain a register of all Adaro Transactions entered into pursuant to the Shareholders' Mandate for Adaro Transactions. This register shall be prepared and maintained by personnel of the Company (who shall not be interested in any of the Adaro Transactions) who is duly delegated to do so by the Audit Committee. To facilitate review and approval by the Audit Committee, the register will set out the Adaro Transactions and similar transactions entered into by the Group with non-interested persons, with details on the nature of the transaction and factors taken into consideration to determine the applicable fees and charges such as (but not limited to) type of charter, quantum and tenure of the contract, quantity and type of cargo, distance of the voyage, type of vessels required, cargo loading and discharging time, and delivery schedules. The Group's internal audit plan will incorporate a review of the Adaro Transactions entered into in the relevant financial year pursuant to the Shareholders' Mandate for Adaro Transactions. The internal auditor shall report directly to the Audit Committee on all its findings from the review of the Adaro Transactions; and
- (g) the Audit Committee shall, when it deems necessary, have the right to require the appointment of auditors or any independent professionals to review all matters relating to the Adaro Transactions.

4.8 Audit Committee's Confirmation

The Audit Committee, save for Mr Edwin Soeryadjaya, confirms that :

- (a) the guidelines, control and review procedures under the Shareholders' Mandate for Adaro Transactions have not changed since the renewal of Shareholders' Mandate on 29 April 2019; and

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- (b) the guidelines, control and review procedures referred to in paragraphs 4.6 and 4.7 above are sufficient to ensure that the Adaro Transactions are undertaken on an arm's length basis and on normal commercial terms which are not more favourable to the Adaro Group than to unrelated third parties and are not prejudicial to the interests of the Company and its minority shareholders.

4.9 Validity period of the Shareholders' Mandate

If approved by Shareholders at the forthcoming AGM, the renewal of the Shareholders' Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in general meeting) continue in force until the next AGM of the Company. Approval from Shareholders will be sought for the renewal of the Shareholders' Mandate at the next AGM and at each subsequent AGM of the Company, subject to satisfactory review by the Audit Committee of its continued application to Interested Person Transactions.

4.10 Disclosure to Shareholders

Pursuant to Chapter 9 of the Listing Manual, the Company will disclose the aggregate value of the Adaro Transactions conducted pursuant to the Shareholders' Mandate for Adaro Transactions in its annual report for each of the subsequent financial years during which the Shareholders' Mandate for Adaro Transactions is in force.

In addition, the Company will announce the aggregate value of the Adaro Transactions conducted pursuant to the Shareholders' Mandate for Adaro Transactions for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report.

4.11 Abstention from Voting

Mr Edwin Soeryadjaya and his associates shall abstain from voting on the resolution approving the Shareholders' Mandate for Adaro Transactions.

5. Directors' and Controlling Shareholders' Interests

As at 30 March 2020, the latest practicable date prior to the printing of this Appendix (the "Latest Practicable Date"), the interests of Directors and controlling shareholders of the Company are recorded in the Register of Shareholders were as follows:

	Direct Interest		Deemed Interest	
	Number of shares	% of total issued shares (%)	Number of shares	% of total issued shares (%)
Directors				
Mr Edwin Soeryadjaya	24,270,349	6.22	90,812,988	23.26
Mr Masdjan	–	–	36,325,195	9.30
Mr Andreas Tjahjadi	17,491,703	4.48	–	–
Mr Ng Soon Kai	–	–	4,225,446	1.08
Mr Ng Yuen	–	–	–	–
Mr Yap Kian Peng	–	–	–	–
Mr Low Chee Chiew	–	–	–	–
Controlling shareholders				
Mr Edwin Soeryadjaya	24,270,349	6.22	90,812,988	23.26
Mr Sandiaga Salahuddin Uno	–	–	97,573,702	24.99
PT Saratoga Investama Sedaya	90,812,988	23.26	–	–

Note :

Percentages are based on the issued capital of the Company of 390,388,110 ordinary shares as at the Latest Practicable Date.

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6. Directors' Recommendation

Having fully considered, *inter alia*, the guidelines, control and review procedures, the rationale and the benefits of the Shareholders' Mandate for Adaro Transactions, the Directors of the Company (excluding Mr Edwin Soeryadjaya) believe that the Shareholders' Mandate for Adaro Transactions is in the interest of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolutions relating to renewing the Shareholders' Mandate for Adaro Transactions at the AGM.

7. Directors' Responsibility Statement

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate and that there are no material facts the omission of which would make any statement in this Appendix misleading.

8. Advice to Shareholders

Shareholders who are in any doubt as to the action they should take, should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

9. Singapore Exchange Securities Trading Limited

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made in this Letter.

Yours faithfully,

For and on behalf of the Board of Directors of
Seroja Investments Limited

Andreas Tjahjadi
Executive Director

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