SEROJA INVESTMENTS LIMITED
(Company Registration Number: 198300847M)
(Incorporated in the Republic of Singapore)
(the "**Company**")

THE PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION

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1. INTRODUCTION

The Board of Directors ("**Board**") of Seroja Investments Limited ("**Company**") refers to its announcements dated 13 April 2021, 10 May 2021 and 14 June 2021 in relation to, *inter alia*, the Company's intention to undertake a proposed capital reduction and cash distribution exercise, and submission of the draft Letter to Shareholders ("**Circular**") in respect of the foregoing to the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Board wishes to announce that, subject to the approval of the shareholders of the Company ("**Shareholders**") being obtained at an Extraordinary General Meeting ("**EGM**") to be convened, the Company proposes to undertake a capital reduction exercise ("**Proposed Capital Reduction**") to return to Shareholders surplus capital of the Company in excess of its needs by way of a cash distribution ("**Proposed Cash Distribution**") by the Company to Shareholders of S$0.10 for each ordinary share of the Company ("**Share**") held by the Shareholders.

The books of the Company will be closed at a books closure date (the "**Books Closure Date**") to be determined by the Board to determine the entitlement of the Shareholders to the payment of the proposed Cash Distribution.

2. CIRCULAR AND EGM

The Board wishes to announce that the SGX-ST had on 19 July 2021 advised that, based on the assumption that the Proposed Capital Reduction and Proposed Cash Distribution complies with the Listing Rules and the Company has disclosed all the information required by the Listing Rules in the Circular, they have no comment on the draft Circular.

The Company will be convening an EGM to be held by way of electronic means to table the resolutions pertaining to the Proposed Capital Reduction and Proposed Cash Distribution. The Circular setting out the full details of the Proposed Capital Reduction and Cash Distribution together with the Notice of EGM for the EGM to be convened will be published on SGXNET in due course. **Shareholders should take note that a printed copy of the Circular and Notice of EGM will NOT be despatched to Shareholders.**

The Company will make an announcement on the alternative arrangements for the EGM in due course.

3. THE PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION

3.1. Background

The Company proposes to undertake the Proposed Capital Reduction pursuant to Section 78A read with Section 78C of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

In connection with the Proposed Capital Reduction, the Company intends to return to Shareholders surplus capital of the Company in excess of its needs by way of the Proposed Cash Distribution. Based on the issued and paid-up share capital of the Company of S$82,970,754.60 comprising 390,388,110 Shares as at 1 July 2021, being the latest practicable date prior to the publication of this announcement (the "**Latest Practicable Date**"), the Cash Distribution Amount per Share would be S$0.10. The actual amount to be returned to Shareholders pursuant to the Proposed Cash Distribution will be determined based on the issued and paid-up share capital of the Company as at the Books Closure Date.

The Proposed Capital Reduction and Cash Distribution will be effected in the following manner:

(a) reducing the issued and paid-up share capital of the Company by S$39,038,811.00 from S$82,970,754.60 (as at the Latest Practicable Date) to S$43,931,943.60; and

(b) the Cash Distribution of the sum of S$39,038,811.00 (equal to S$0.10 per Share to Shareholders), based on the issued and paid-up share capital of the Company of S$82,970,754.60 comprising 390,388,110 Shares as at the Latest Practicable Date, will be paid out to the Shareholders.

The Cash Distribution amount of S$39,038,811.00 comprises the issued and paid-up capital in excess of the immediate requirements of the Company.

The Proposed Capital Reduction and Cash Distribution will not result in a cancellation of shares in the capital of the Company, or a change in the number of Shares issued by the Company immediately after the Proposed Capital Reduction and the Cash Distribution.

3.2. Rationale

The Directors are of the view that the Proposed Capital Reduction is in the best interests of the Company as the Proposed Cash Distribution comprises the paid-up capital in excess of the immediate requirements of the Company. The Proposed Capital Reduction and Proposed Cash Distribution, if effected, would result in the Company having a more efficient capital structure. Also, in determining the level of capital to be returned to the Shareholders, the Company has ensured that it retains sufficient capital for its operational needs and to pay its debts.

The Company has been a cash company pursuant to Rule 1018 of the Listing Manual since 21 October 2020. Trading in the Company's securities was also suspended on 9 October 2020. The Directors had explored various investment opportunities for the Company. As there are currently no such suitable investment opportunities for the Company, the Directors have recommended the Proposed Capital Reduction to return cash in excess of its immediate requirements to the Shareholders. The Company will continue to review any suitable investment opportunities which may arise from time to time and when such opportunities arise, the Company will seek funding by way of internal resources, or if required, by external sources of funding, such as through equity and/or debt financing.

3.3. Financial Effects

For illustrative purposes only and based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2020 ("FY2020"), the pro forma financial effects of the Proposed Capital Reduction and Cash Distribution on the Company are set out below.

The pro forma financial effects are calculated based on the assumptions that:

(i) the computation does not take into account any expenses that may be incurred in relation to the Proposed Capital Reduction and Cash Distribution;

(ii) the Proposed Capital Reduction and Cash Distribution were completed on 31 December 2020, being the end of FY2020; and

(iii) the cash required for distribution will be generated through liquid cash resources on hand.

The Directors note that the pro forma financial effects have been prepared solely for illustrative purposes and do not purport to be indicative or a projection of the results and financial position of the Company after the Capital Reduction and Cash Distribution have been effected.

(a) Share Capital

The Capital Reduction and Cash Distribution will not have any impact on the number of Shares held by Shareholders after the Capital Reduction and Cash Distribution. The pro forma financial effects of the Capital Reduction and Cash Distribution on the share capital of the Company for FY2020 are as follows:

	Before the Capital Reduction and Cash Distribution	**After the Capital Reduction and Cash Distribution**
Number of issued Shares	390,388,110	390,388,110
Number of issued Shares (excluding treasury shares)(1)	390,388,110	390,388,110
Amount of share capital (S$)	82,970,754.60	43,931,943.60

(1) As at the Latest Practicable Date, the Company does not have any treasury shares.

(b) EPS

The Capital Reduction and Cash Distribution will have no impact on the EPS of the Company.

(c) NAV

The pro forma financial effects of the Capital Reduction and Cash Distribution on the NAV of the Company for FY2020 are as follows:

	Before the Capital Reduction and Cash Distribution	**After the Capital Reduction and Cash Distribution**
Net asset (S$'000)	41,678	2,639
Number of issued Shares	390,388,110	390,388,110
NAV per Share (S$)	0.1068	0.0068

(b) Gearing

The pro forma financial effects of the Capital Reduction and Cash Distribution on the gearing ratio of the Company for FY2020 are as follows:

	Before the Capital Reduction and Cash Distribution	**After the Capital Reduction and Cash Distribution**
Total borrowings (S$'000)	0	0
Net assets (S$'000)	41,678	2,639
Gearing (%)	0	0

(e) Return on Equity

The pro forma financial effects of the Capital Reduction and Cash Distribution on the return on equity of the Company for FY2020 are as follows:

	Before the Capital Reduction and Cash Distribution	**After the Capital Reduction and Cash Distribution**
Loss attributable to Shareholders (S$'000) (1)	4,285	4,285
Return on Equity (%)	-10.3	-162.4

(1) Based on audited loss attributable to Shareholders of US$3,106,000 for FY2020 converted at average exchange rate of 1.3796 for FY2020. The loss attributable to Shareholders of the Company for FY2020 was due to loss from continuing operations of US$3.5 million which was partly offset by profit from discontinued operations of US$0.4 million.

The loss from continuing operations was due to loss on disposal of its entire business and business assets held by TLM of US$2.6 million, administrative expenses incurred of US$1.6 million which was partly offset by exchange gain of US$0.7 million.

Administrative expenses comprised professional and listing fees of US$0.3 million, payroll expenses of US$0.2 million, rental expense of US$0.1 million and bonus accrual of US$1.0 million payable to directors and management attributable to their past efforts and performance for the Company.

Profit from discontinued operations of US$0.4 million was attributed to the Group's share of results of TLM and its subsidiaries up to the date of the Disposal on 21 October 2020.

3.4. Conditions of the Proposed Capital Reduction and Cash Distribution

The Proposed Capital Reduction and Cash Distribution are subject to, *inter alia*, the following conditions:

(a) Clearance of the Circular by the SGX-ST (which has already been obtained as set out in Paragraph 2 of this announcement);

(b) Shareholders' approval by way of a special resolution of the Proposed Capital Reduction and Cash Distribution at the EGM ("**Capital Reduction Resolution**") to be approved by a majority of not less than three-fourths of the Shareholders present and voting at the EGM, of which not less than 21 days' notice of the EGM shall have been given;

(c) the Directors making a solvency statement in relation to the Capital Reduction, and compliance with other relevant solvency requirements as required by the Companies Act ("**Solvency Statement**");

(d) the Company complying with the relevant publicity requirements as prescribed in the Companies Act;

(e) lodgement with the Accounting and Corporate Regulatory Authority ("**ACRA**") of copies of the Solvency Statement and the Capital Reduction Resolution, within fifteen (15) days beginning with the date of the Capital Reduction Resolution;

(f) no application being made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed in the Companies Act, or if such application was made, the dismissal thereof by the judicial authorities; and

(g) lodgement of the relevant documents with ACRA after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution.

4. INTERESTS OF THE DIRECTORS OR CONTROLLING SHAREHOLDERS OF THE COMPANY

None of the Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Capital Reduction and Cash Distribution (other than through their shareholdings, if any, in the Company).

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Capital Reduction and Cash Distribution, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By order of the Board

Ng Soon Kai
Director

21 July 2021