

SEROJA INVESTMENTS LIMITED

(Company Registration Number: 198300847M)

(Incorporated in the Republic of Singapore)

EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (“FY2013”)

The Board of Directors of Seroja Investments Limited (“**SIL**” or the “**Group**”) wishes to announce that the independent auditor of SIL, Nexia TS Public Accounting Corporation, has issued the Independent Auditor’s Report on the Group’s consolidated financial statements for the financial year ended 31 December 2013, with the following emphasis of matter:-

Extract of Independent Auditor’s Report

We draw attention to Note 4 to the financial statements. For the financial year ended 31 December 2013, the Group incurred total comprehensive losses of US\$7,401,000 (2012: Total comprehensive income of US\$7,775,000) and is in net current liabilities position of US\$17,896,000 (2012: US\$4,670,000). The total comprehensive losses are mainly due to impairment loss on property, plant and equipment amounting to US\$11,441,000 recognised during the financial year. As disclosed in Note 22(c), as at 31 December 2013, a loan amounting to approximately US\$14,755,000 is due for repayment on 31 March 2014.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Nevertheless, these financial statements are prepared on a going concern basis because of the following assumptions and measures undertaken:

- (i) The Group is able to continue in the current operational existence and generate sufficient positive cash flows to discharge its liabilities in the normal course of business for the next twelve months.*
- (ii) As disclosed in Note 22(c), the Group has received firm commitment from a third party to purchase the Group’s two Panamax vessels for US\$46,900,000. The sales proceeds from these vessels will be used to fully repay the loan of approximately US\$14,755,000. The Group expects the vessels sales and repayment of loan to be completed in the second quarter of 2014.*

- (ii) *The Group will continue to receive financial support from banks and other financial institutions in relation to the banking and other credit facilities which will be made available to the Group.*

If the Group is unable to continue its operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties. In forming our opinion, we have considered the adequacy of the disclosure of these matters in the financial statements. Our opinion is not qualified with respect to this matter.

An extract of the relevant notes to the financial statements are attached to this announcement as **Appendix I**.

By order of the Board

Husni Heron
Executive Director & CEO
11 April 2014

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

4 Going concern basis

For the financial year ended 31 December 2013, the Group incurred total comprehensive losses of US\$7,401,000 (2012: Total comprehensive income of US\$7,775,000) and is in net current liabilities position of US\$17,896,000 (2012: US\$4,670,000). The total comprehensive losses are mainly due to impairment loss on property, plant and equipment amounting to US\$11,441,000 recognised during the financial year. As disclosed in Note 22(c), as at 31 December 2013, a loan amounting to approximately US\$14,755,000 is due for repayment on 31 March 2014.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Nevertheless, these financial statements are prepared on a going concern basis because of the following assumptions and measures undertaken:

- (i) The Group is able to continue in the current operational existence and generate sufficient positive cash flows to discharge their liabilities in the normal course of business for the next twelve months.
- (ii) As disclosed in Note 22(c), the Group has received firm commitment from a third party to purchase the Group's two Panamax vessels for US\$46,900,000. The sales proceeds from these vessels will be used to fully repay the loans of approximately US\$14,755,000. The Group expects the vessels sales and repayment of the loans to be completed in the second quarter of 2014.
- (iii) The Group will continue to receive financial support from banks and other financial institutions in relation to the banking and other credit facilities which will be made available to the Group.

If the Group is unable to continue its operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities respectively.

22 Borrowings

(c) Reclassification of non-current borrowings to current borrowings

Some of the Group's Joint Venture's ("Joint Venture") loan agreements (classified as non-current during the year) are subject to certain terms and conditions. During the financial year, the financial institutions who granted the loan raised certain concern in respect of the slow collection of the earnings from the charter hire of vessels. Subsequently, the Group and the financial institutions entered into various correspondences to resolve the financial institutions' concern. As at 31 December 2013, the Joint Venture loan amounts to approximately US\$29,510,000 of which the Group's share is approximately US\$14,755,000.

The Group and the financial institutions have come to a mutual understanding, amongst others, that:

- (1) the Joint Venture will sell its Capesize vessel by 31 March 2014 (Note 14 and 32); and
- (2) the Joint Venture will make full repayment of the loans with interest by 31 March 2014.

Due to the above, the financial institutions are contractually entitled to request for immediate repayment of the loan on 31 March 2014. Accordingly, the outstanding loan balances of US\$14,755,000 are presented as current liabilities as at 31 December 2013.

On 1 April 2014, the Group have, *inter-alia*, seek an extension of time to make full repayment of the above mentioned loan and consent from these financial institutions to dispose two Panamax vessels currently mortgaged to the financial institutions. The Group have also received firm commitments from a third party to purchase the two Panamax vessels for approximately US\$46,900,000 and the sales proceeds will be used to fully repay the above mentioned outstanding loan. The Group expects the vessels sales and repayment of loan to be completed in the second quarter of 2014. As at the date of these financial statements, the financial institutions have not made a call for the full repayment of the loan.