Atlantic Navigation
Holdings (Singapore) Limited

ATLANTIC NAVIGATION HOLDINGS (SINGAPORE) LIMITED

(Company Registration No. 200411055E)

Results for the Financial Period Ended 30 June 2018

Unaudited Financial Statements and Dividend Announcement

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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Atlantic Navigation Holdings (Singapore) Limited

(Company Registration No. 200411055E)

Second Quarter Financial Statement Announcement as at 30 June 2018

Part I - INFORMATION REQUIRED FOR QUARTERLY AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

	3 months ended			6 months ended		
	30/06/2018 (2Q2018)	**30/06/2017 (2Q2017)**	**Increase/ (Decrease)**	**30/06/2018 (HY2018)**	**30/06/2017 (HY2017)**	**Increase/ (Decrease)**
(US$'000)			%			%
Revenue	14,315	8,980	59.4	26,562	14,692	80.8
Cost of services	(10,103)	(6,447)	56.7	(20,358)	(12,342)	64.9
Gross profit	4,212	2,533	66.3	6,204	2,350	164.0
Finance income	-*	1	N.M.	2	1	100.0
Other income	10	-	N.M	81	11	636.4
Other items of expense						
Marketing and distribution expenses	(231)	(71)	225.4	(497)	(89)	458.4
Administrative expenses	(1,586)	(1,267)	25.2	(2,776)	(2,498)	11.1
Finance costs	(2,214)	(930)	138.1	(3,659)	(1,440)	154.1
Other expense	-	-	N.M.	-	(411)	N.M.
Share of results of a joint venture	(257)	-	N.M.	877	-	N.M.
(Loss)/profit before tax	(66)	266	N.M.	232	(2,076)	N.M.
Income tax expense	(342)	(212)	61.3	(704)	(309)	127.8
(Loss)/profit for the period attributable to owners of the Company	(408)	54	N.M.	(472)	(2,385)	(80.2)

-* Less than US$1,000

N.M.: not meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

	3 months ended			6 months ended		
	30/06/2018 (2Q2018)	**30/06/2017 (2Q2017)**	**Increase/ (Decrease)**	**30/06/2018 (HY2018)**	**30/06/2017 (HY2017)**	**Increase/ (Decrease)**
(US$'000)			%			%
(Loss)/profit for the period is stated after (charging)/crediting:						
Depreciation of property, vessels and equipment	(1,967)	(1,691)	16.3	(3,905)	(3,214)	21.5
Net loss on disposal of property, vessels and equipment	-*	-	N.M.	-	(411)	N.M.
Grant of equity-settled share options to employees	-	(2)	N.M.	-	(5)	N.M.

N.M.: not meaningful

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

Balance Sheet	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 30/06/2018	As at 31/12/2017	As at 30/06/2018	As at 31/12/2017
(US$'000)				
ASSETS				
Non-current assets				
Property, vessels and equipment	186,723	159,712	-	-
Intangible asset	141	141	141	141
Investment in subsidiaries	-	-	66,741	66,741
Investment in a joint venture	955	77	-	-
Prepayments	478	319	-	-
	188,297	160,249	66,882	66,882
Current assets				
Inventories	108	215	-	-
Trade and other receivables	17,896	16,329	68,711	72,507
Prepayments	1,911	803	214	205
Cash and bank balances	1,210	697	167	163
Bank deposits pledged	735	235	235	235
	21,860	18,279	69,327	73,110
Total assets	210,157	178,528	136,209	139,992
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	18,409	14,672	281	237
Other liabilities	10,742	5,483	1,691	1,434
Loans and borrowings	38,170	19,642	23,272	8,811
	67,321	39,797	25,244	10,482
Net current (liabilities)/assets	(45,461)	(21,518)	44,083	62,628
Non-current liabilities				
Provisions	698	570	-	-
Other payables	7,332	7,332	7,332	7,332
Loans and borrowings	59,683	55,234	29,352	47,734
	67,713	63,136	36,684	55,066
Total liabilities	135,034	102,933	61,928	65,548
Net assets	75,123	75,595	74,281	74,444
Equity attributable to owners of the Company				
Share capital	12,370	12,370	85,534	85,534
Other reserves	4,690	4,690	4,431	4,431
Retained earnings/(accumulated losses)	58,063	58,535	(15,684)	(15,521)
Total equity	75,123	75,595	74,281	74,444
Total equity and liabilities	210,157	178,528	136,209	139,992

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

(US$'000)	As at 30/06/2018		As at 31/12/2017	
	Secured	Unsecured	Secured	Unsecured
(a) **Amount repayable in one year or less, or on demand**	38,170	-	19,642	-
(b) **Amount repayable after one year**	59,683	-	55,234	-
Total borrowing and securities	97,853	-	74,876	-

The above credit facilities are secured by one or several of:

(i) Mortgage over certain vessels;

(ii) Assignment of earnings/charter proceeds, insurances and requisition compensation of mortgaged vessels;

(iii) Assignment of all rights, titles and interests of mortgaged vessels' charters;

(iv) Bank deposits pledged in a retention account;

(v) Financial covenant which requires the Group to maintain Tangible Net Worth of at least US$50 million;

(vi) Financial covenant which requires the Group to maintain Tangible Net Worth of at least US$80 million. The level to improve by at least 5% on a year on year basis; [#1]

(vii) Adjusted leverage ratio to be maintained at 1.75:1 or below, to be improved to 1.5:1 for FY2018 and 1.25:1 or below for FY2019 and onwards. The ratio will be calculated as total liabilities (excluding cash margin and fixed deposits under lien i.e. cash encumbered for liabilities included in total liabilities) to Tangible Net Worth; and [#1]

(viii) The Loan to Value ("LTV") to be 70% or below at all times. If LTV clause is breached, either proportionately pre-pay the loan or provide additional collateral acceptable to the bank to rectify the breach within 15 days of being notified of the breach. [#1]

Note:

#1 The Company had obtained a Deed of Waiver, Confirmation and Consent from its United Arab Emirates banker in relation to the Subscription Agreement, as announced on 16 July 2018, between the Company and Saeed Investment Pte. Ltd..

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

Consolidated Statement of Cash Flows	6 months ended 30/06/2018	6 months ended 30/06/2017
(US$'000)		
Operating activities		
Profit/(loss) before tax	232	(2,076)
Adjustments for:		
Net loss on disposal of property, vessels and equipment	-*	411
Interest income	(2)	(1)
Depreciation of property, vessels and equipment	3,905	3,214
Allowance for doubtful trade debts, net	-	4
Share of results of a joint venture	(877)	-
Finance costs	3,659	1,440
Provisions	159	42
Grant of equity-settled share options to employees	-	5
Total adjustments	6,844	5,115
Operating cash flows before changes in working capital	**7,076**	**3,039**
Decrease in inventories	107	37
Increase in trade and other receivables	(1,567)	(1,840)
Increase in prepayments	(1,108)	(914)
Increase in trade and other payables	3,542	2,349
Decrease in provisions	(31)	(12)
Increase/(decrease) in other liabilities	4,312	(114)
Total changes in working capital	5,255	(494)
Cash generated from operations	**12,331**	**2,545**
Interest received	2	1
Interest paid	(1,980)	(2,776)
Income tax paid	(704)	(309)
Net cash flows generated from operating activities	**9,649**	**(539)**
Investing activities		
Purchase of property, vessels and equipment	(30,915)	(1,335)
Proceeds from disposal of property, vessels and equipment	-*	700
Net cash flows used in investing activities	**(30,915)**	**(635)**
Financing activities		
Proceeds from loan from a shareholder	33	4,400
Proceeds from loans and borrowings	28,870	2,000
Repayment of loans and borrowings	(7,688)	(5,704)
Increase in bank deposits pledged	(500)	(135)
Net cash flows generated from financing activities	**20,715**	**561**
Decrease in cash and cash equivalents	(551)	(613)
Net cash and cash equivalents at beginning of the period	223	941
Cash and cash equivalents at end of the period (Note A)	**(328)**	**328**
Note A: Cash and cash equivalents comprise the following at the end of the reporting period:		
Cash and bank balances	1,210	987
Bank overdraft	(1,538)	(659)
Net balance	(328)	328

-* Less than US$1,000

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

Consolidated Statement for Changes in Equity

Group	Equity, total	Share capital	Other reserves	Retained earnings
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018	**75,595**	**12,370**	**4,690**	**58,535**
Loss for the period, representing total comprehensive income for the period	(63)	-	-	(63)
Balance at 31 March 2018	**75,532**	**12,370**	**4,690**	**58,472**
Loss for the period, representing total comprehensive income for the period	(408)	-	-	(408)
Balance at 30 June 2018	**75,123**	**12,370**	**4,690**	**58,063**

Group	Equity, total	Share capital	Other reserves	Retained earnings
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	**85,056**	**12,370**	**995**	**71,691**
Loss for the period, representing total comprehensive income for the period	(2,440)	-	-	(2,440)
Contribution by and distribution to owners				
Grant of equity-settled share options to employees	3	-	3	-
Balance at 31 March 2017	**82,619**	**12,370**	**998**	**69,251**
Profit for the period, representing total comprehensive income for the period	54	-	-	54
Contribution by and distribution to owners				
Grant of equity-settled share options to employees	2	-	2	-
Total contribution by and distribution to owners	2	-	2	-
Balance at 30 June 2017	**82,675**	**12,370**	**1,000**	**69,305**

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

Statement for Changes in Equity

Company	Equity, total	Share capital	Other reserves	Accumulated losses
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018	**74,444**	**85,534**	**4,431**	**(15,521)**
Loss for the period, representing total comprehensive income for the period	(50)	-	-	(50)
Balance at 31 March 2018	**74,394**	**85,534**	**4,431**	**(15,571)**
Loss for the period, representing total comprehensive income for the period	(113)	-	-	(113)
Balance at 30 June 2018	**74,281**	**85,534**	**4,431**	**(15,684)**

Company	Equity, total	Share capital	Other reserves	Accumulated losses
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	**74,733**	**85,534**	**736**	**(11,537)**
Loss for the period, representing total comprehensive income for the period	(75)	-	-	(75)
Contribution by and distribution to owners				
Grant of equity-settled share options to employees	3	-	3	-
Balance at 31 March 2017	**74,661**	**85,534**	**739**	**(11,612)**
Loss for the period, representing total comprehensive income for the period	(77)	-	-	(77)
Contribution by and distribution to owners				
Grant of equity-settled share options to employees	2	-	2	-
Total contribution by and distribution to owners	2	-	2	0
Balance at 30 June 2017	**74,586**	**85,534**	**741**	**(11,689)**

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

Company	Number of ordinary shares	Share capital (US$'000)
As at 31 Mar 2018	260,593,750	85,534
As at 30 Jun 2018	260,593,750	85,534

During the 3-month period ended 30 June 2018, there were no changes in the issued and paid-up share capital of the Company.

On 30 January 2014, the Company granted 4,050,000 share options under the Atlantic 2008 Employee Share Option Scheme ("Atlantic 2008 ESOS"). 2,025,000 share options are exercisable between 30 January 2015 and 29 January 2019, and the remaining 2,025,000 share options are exercisable between 30 January 2016 and 29 January 2019, at the exercise price of S$0.34 if the vesting conditions are met. The estimated fair value of the options granted is approximately S$405,000 (equivalent to approximately US$319,000). The Atlantic 2008 ESOS has been terminated on 29 April 2015. The termination of the Atlantic 2008 ESOS shall not affect the outstanding share options granted and accepted but remain unexercised (whether fully or partially).

On 12 May 2015, the Company granted 750,000 share options under the Atlantic 2015 Employee Share Option Scheme ("Atlantic 2015 ESOS") to Mr. Wong Siew Cheong. 375,000 share options are exercisable between 12 May 2016 and 11 May 2020, and the remaining 375,000 share options are exercisable between 12 May 2017 and 11 May 2020, at the exercise price of S$0.43 if the vesting conditions are met. The estimated fair value of the options granted is approximately S$76,000 (equivalent to approximately US$54,000).

As at 30 June 2018, the total numbers of share options outstanding were 4,800,000 (30 June 2017: 4,800,000).

Save as disclosed, there were no other outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2018 and 30 June 2017.

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

	As at	
	30/06/2018	**31/12/2017**
Total number of issued shares excluding treasury shares	260,593,750	260,593,750

There were no treasury shares as at 30 June 2018 and 31 December 2017.

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

Not applicable. The Company does not have any treasury shares.

1 **(d) (v) A statement showing all the sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on**

Not applicable. The Company does not have any subsidiary holdings.

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

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group adopted SFRS(I) on 1 January 2018, including improvements to SFRS(I) and Interpretations of SFRS(I) that are mandatory for financial years beginning on or after 1 January 2018, and in the half year ended 30 June 2018, where applicable. The adoption of these new and revised standards and interpretations did not result in significant change to the Group's accounting policies and did not have a material impact on the Group's results for the current financial period.

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

Please refer to paragraph 4 above.

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

	3 months ended		**6 months ended**	
	30/06/2018	**30/06/2017**	**30/06/2018**	**30/06/2017**
(Loss) / earnings per ordinary share ("EPS") for the period based on net (loss) / profit attributable to owners of the Company (US$ cents)				
Basic EPS	(0.16)	0.02	(0.18)	(0.92)
Diluted EPS	(0.16)	0.02	(0.18)	(0.92)
Weighted average number of ordinary shares on issue applicable to basic EPS	260,593,750	260,593,750	260,593,750	260,593,750
Weighted average number of ordinary shares on issue applicable to diluted EPS	260,593,750	260,593,750	260,593,750	260,593,750

The 4,800,000 share options granted to employees under the existing Atlantic 2008 ESOS and Atlantic 2015 ESOS have not been included in the calculation of diluted loss per share because they are anti-dilutive.

7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	Group as at		**Company as at**	
	30/06/2018	**31/12/2017**	**30/06/2018**	**31/12/2017**
Net asset value per ordinary share (US$ cents)	28.83	29.01	28.50	28.57

The net asset value per ordinary share of the Company and the Group as at 30 June 2018 and 31 December 2017 were calculated based on 260,593,750 issued shares (excluding treasury shares) as at 30 June 2018 and 31 December 2017.

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

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

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

Review of results of operations

(i) Revenue by business segments

	3 months ended			6 months ended		
	30/06/2018 (2Q2018)	**30/06/2017 (2Q2017)**	**Increase/ (Decrease)**	**30/06/2018 (HY2018)**	**30/06/2017 (HY2017)**	**Increase/ (Decrease)**
(US$'000)			**%**			**%**
Marine logistics services ("MLS")	14,213	8,374	69.7	26,153	13,695	91.0
Ship repair, fabrication and other marine services ("SRM")	102	606	(83.2)	409	997	(59.0)
	14,315	8,980	59.4	26,562	14,692	80.8

The Group's revenue for the MLS segment for 2Q2018 increased by US$5.8 million or 69.7%, from US$8.4 million in 2Q2017 to US$14.2 million in 2Q2018. The increase in revenue was mainly attributable to the higher rate of utilisation of owned vessels, coupled with the deployment of the Group's lift-boats, deployment of three (3) front runners and two (2) new vessels to support long-term contracts with a Middle Eastern National Oil Company ("MENOC").

The Group's revenue for the SRM segment for 2Q2018 decreased by US$0.5 million or 83.2% compared to 2Q2017 mainly due to the lower level of repairs works undertaken on third party vessels. This segment was mainly occupied with the overhauling and repairing works of owned vessels engaged under time chartering during 2Q2018.

(ii) Gross profit and gross profit margin

	3 months ended			6 months ended		
	30/06/2018 (2Q2018)	**30/06/2017 (2Q2017)**	**Increase/ (Decrease)**	**30/06/2018 (HY2018)**	**30/06/2017 (HY2017)**	**Increase/ (Decrease)**
(US$'000)			**%**			**%**
Gross profit						
MLS	4,174	2,012	107.5	6,015	1,651	264.3
SRM	38	521	(92.7)	189	699	(73.0)
	4,212	2,533	66.3	6,204	2,350	164.0

	3 months ended		6 months ended	
	30/06/2018 (2Q2018)	**30/06/2017 (2Q2017)**	**30/06/2018 (HY2018)**	**30/06/2017 (HY2017)**
Gross profit margin				
MLS	29.4%	24.0%	23.0%	12.1%
SRM	37.3%	86.0%	46.2%	70.1%
	29.4%	28.2%	23.4%	16.0%

The Group reported gross profit of US$4.2 million for the MLS segment during 2Q2018, compared to the gross profit of US$2.0 million in 2Q2017. The increase in gross profit by US$2.2 million or 107.5% in 2Q2018 compared to 2Q2017 was primarily as a result of higher utilisation of owned vessel, the deployment of Group's lift-boats and two (2) new vessels, and higher day charter rates for long-term contracts with a MENOC. As a result, the gross profit margin for the MLS segment improved by 5.4 percentage points in 2Q2018.

The Group reported gross profit of approximately US$38,000 for the SRM segment during 2Q2018, compared with gross profit of US$0.5 million in 2Q2017. The decrease in gross profit of US$0.5 million or 92.7% in 2Q2017 was mainly due to warranty and retrofit work undertaken on behalf of a shipyard on one of the Company's new vessels. As a result, the gross profit margin for the SRM segment decreased by 48.7 percentage points from 37.3% in 2Q2018 as compared to 86.0% 2Q2017.

(iii) Other income

Other income for 2Q2018 is due to the reversal of provisions for material cost and services for FY2017.

(iv) Marketing and distribution expenses

Marketing and distribution expenses in 2Q2018 comprised mainly of the fee for business feasibility analysis, consultancy fee for future business expansion plans, brokerage commission and travel expenses.

(v) Administrative expenses

Administrative expenses increased by US$0.3 million or 25.2% in 2Q2018 as compared to 2Q2017 due to increase in operational staff, statutory and legal expenses.

(vi) Finance costs

Finance costs increased by US$1.3 million or 138.1% in 2Q2018 as compared to 2Q2017 primarily due to an increase in finance charges as a result of new bank borrowings of US$20.4 million and private borrowings of US$8.5 million for acquiring of new five (5) vessels.

(vii) Share of results in a joint venture

The Group has recorded losses of US$0.3 million from its 40% interest in the joint venture during 2Q2018 as the consortium had not fully closed its books for 2Q2018 due to the implementation of a new accounting system and the share of results is based on the latest records available to the Company.

(viii) Loss/(profit) before tax

The Group has recorded a loss before tax of approximately US$66,000 in 2Q2018 as compared to a profit before tax of US$0.27 million in 2Q2017, mainly due to increase in finance costs, marketing and distribution expenses, administration expenses and share of loss of a joint venture, partially offset by the increase in gross profit.

Review of financial position

(i) Non-current assets

Non-current assets increased by US$28.0 million from US$160.3 million as at 31 December 2017 to US$188.3 million as at 30 June 2018 due to additional investment of US$29.2 million in five (5) new vessels and cost relating to the upgrade of the vessels of US$1.7 million, an increase in investment in joint venture of US$0.9 million and an increase in non-current portion of prepayments of US$0.2 million, partially offset by a depreciation charge of US$3.9 million.

(ii) Current assets

Current assets increased by US$3.6 million from US$18.3 million as at 31 December 2017 to US$21.9 million as at 30 June 2018. This was due to an increase in trade and other receivables of US$1.6 million, an increase in prepayments of US$1.1 million, an increase in cash and bank balances of US$0.5 million and an increase in bank deposits pledged of US$0.5 million, partially offset by a decrease in inventories of US$0.1 million.

(iii) Non-current liabilities

Non-current liabilities increased by US$4.6 million, from US$63.1 million as at 31 December 2017 to US$67.7 million as at 30 June 2018. This was mainly due non-current portion of new borrowings of US$24.3 million, an increase in provisions of US$0.1 million, partially offset by reclassification of borrowings (including convertible loan and its related PIK interest) of US$14.9 million from non-current liabilities to current liabilities and repayment of term loans of US$4.9 million.

(iv) Current liabilities

Current liabilities increased by US$27.5 million from US$39.8 million as at 31 December 2017 to US$67.3 million as at 30 June 2018, primarily due to reclassification of borrowings (including convertible loan and its related PIK interest) of US$15.6 million from non-current liabilities to current liabilities, current portion of new borrowings of US$4.6 million increase in trade and other payables of US$3.7 million, increase in overdraft of US$1.1 million, increase in other liabilities of US$5.3 million mainly due to increase in provisions for (i) operating expenses of US$2.5 million; (ii) contractual deduction of US$1.5 million; and (iii) finance cost of US$1.0 million. The increase in current liabilities was partially offset by repayment of term loans of US$2.8 million.

(v) Net current liabilities

Net current liabilities increased by US$23.9 million from US$21.5 million as at 31 December 2017 to US$45.5 million as at 30 June 2018, primarily due to increase in current liabilities of US$27.5 million as a result of reclassifying borrowings from non-current liabilities to current liabilities and additionalities and allocation of new borrowings to current liabilities resulting from borrowings undertaken in 2QFY2018, partially offset by an increase in current assets of US$3.6 million.

In the opinion of the Directors, the Group will be able to continue as a going concern as there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the Group will be able to generate sufficient cash flows from its operations as well as secure funding to support working capital and its committed capital expenditure in the near term.

The deployment of certain vessels early this year has, and is expected to continue to contribute positively to the operating cash flows of the Group. The Group has also taken certain steps to strengthen its balance sheet and improve its cash flow position, including, the signing of loan agreement with a third party Saudi Arabian representative and one of its principal bankers in March 2018. In addition, the Group has, as announced on 16 July 2018, entered into a conditional share subscription agreement (the "**Subscription Agreement**") with Saeed Investment Pte. Ltd. (the "**Subscriber**") pursuant to which the Company has agreed to issue and allot an aggregate of 262,918,394 new ordinary shares in the capital of the Company ("**Shares**") ("**Subscription Shares**") to the Subscriber, and the Subscriber has agreed to subscribe for the Subscription Shares for an aggregate amount of US$26.0 million. Upon completion, the proceeds will be used to support the repayment of certain loans and the working capital of the Group.

Liquidity and capital resources

(i) Net cash flows generated from operating 1activities

Net cash flows generated from operating activities amounted to US$9.6 million in HY2018. This was mainly due to operating cash inflows before changes in working capital of US$7.1 million, positive changes in working capital of US$5.3 million, partially offset by interest paid in HY2018 of US$2.0 million and income tax paid in HY2018 of US$0.7 million.

(ii) Net cash flows used in investing activities

Net cash flows used in investing activities amounted to US$30.9 million in HY2018 was a result of investment in new vessels.

(iii) Net cash flows generated from financing activities

Net cash flows generated from financing activities of US$20.7 million in HY2018 was mainly due to new borrowings of US$28.9 million, partially offset by repayment of term loan of US$7.7 million and increase in bank deposits pledged of US$0.5 million.

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

Not applicable.

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

The Group continues to be cautious with its fleet upgrade and expansion program given the continuing disruption in the oil and gas sector caused by the decline in oil price in 2015. The Group will continue to review specific opportunities within its core market in the Middle East where offshore energy and production levels are being maintained.

The Group signed shipbuilding agreements in June 2016 for seven (7) new vessels to support US$236.0 million firm charters awarded to the Group by a MENOC to support the MENOC's operations in the Arabian Gulf as announced in May 2016. The Group had taken delivery of five (5) of the seven (7) new vessels, all of which had been accepted by the NOC and four (4) of which had started work on the contract. The Group expects to take delivery of the outstanding two (2) new vessels in August 2018.

The Group announced on 14 March 2017 that it had secured a US$44.0 million firm one-year charter with two one-year extension options for its lift-boat, the AOS Maintainer I, with a Middle Eastern NOC. This vessel was deployed in May 2017. Upon completion of the firm one-year charter, the charter was extended to 31 December 2018.

The Group, together with its Korean consortium partner, had in February 2018, completed mobilisation, deployment of equipment, infrastructure setup and personnel for both the onshore and offshore phase of a US$45.2 million project for removal of decommissioned offshore and onshore facilities. Operational work on the onshore phase of the project started in March 2018, and operational work on the offshore phase started in May 2018.The project is expected to be completed by the end of FY2018, subject to favourable weather condition.

With the increase in the oil price and MENOCs' commitment to increase production levels, activity in the Middle East exploration and production sectors (our primary markets) is increasing and new field development programs which were on hold are starting up again. We expect charter rates in our region to remain competitive but we expect our fleet utilisation to improve due to the deployment of seven (7) new vessels to support contracts secured by the Group and a greater demand across the region in line with the increase in activity and stated growth and production strategies of the MENOCs. As a result, barring unforeseen circumstances, the Group expects its performance to improve from 3Q2018 onwards due to the planned deployment of the seven (7) new vessels and higher utilisation for the rest of the fleet in line with the expected increases in demand for vessels to support the MENOCs' plan for higher production.

The Group has been focusing on maintaining and protecting the high level of utilisation of its existing fleet and securing employment for its vessels at competitive market rates. The focus on cost control will continue without sacrificing operational efficiency or service level. The Group continues to explore and receive new businesses opportunities with existing and new clients. The Group also continues to evaluate its capital structure to ensure that we will be able to undertake these new businesses and meet all our obligations.

11 Dividend

a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Nil.

(b) Corresponding period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

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

No dividend has been declared or recommended for 2Q2018.

13 Interested Person Transactions

The Group does not have any interested person transaction general mandate from shareholders pursuant to Rule 920 of the Catalist Rules.

The aggregate value of interested person transactions entered into during HY2018 is set out below:

Name of Interested Person	Aggregate value of all interested person transactions entered into during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)
Wong Siew Cheong - Interests on shareholder loan [(1)]	US$254,000 (approximately S$346,000)	-

Note:

(1) As at 30 June 2018, Mr. Wong Siew Cheong, the Executive Chairman and CEO as well as a controlling shareholder of the Company, had provided an aggregate of US$7.4 million loan (the "Loan") to the Group. The Loan is unsecured, interest-bearing at interest rate of 6.00% per annum, and is to be settled in cash.

14 Negative confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules.

The Board of Directors confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited interim financial results for the financial period ended 30 June 2018 to be false or misleading in any material aspect.

15 Issuer to confirm that it has procured undertaking from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

The Board of Directors confirms that, the Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD
Wong Siew Cheong
Executive Chairman and Chief Executive Officer
14 August 2018