Atlantic Navigation Holdings (Singapore) Limited

(Company Registration No. 200411055E)
(Incorporated in Singapore)

RESPONSES TO QUESTIONS FROM SHAREHOLDERS
FOR ANNUAL GENERAL MEETING SCHEDULED FOR 29 JUNE 2021

The Board of Directors (the "**Board**") of Atlantic Navigation Holdings (Singapore) Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's annual report for the financial year ended 31 December 2020 ("**AR 2020**"), and the announcement dated 14 June 2021 in relation to the Notice of Annual General Meeting to be held by electronic means on Tuesday, 29 June 2021, at 1.00 p.m. ("**AGM 2021**").

The Company would like to express its appreciation to its shareholders for submitting their questions in advance of AGM 2021. The Company would like to inform shareholders that all the questions submitted by shareholders by the deadline, i.e. 1.00 p.m. on 26 June 2021, have been responded and are published in this announcement.

Please refer to the Appendix of this announcement for details of the questions and the responses of the Company.

By Order of the Board

Wong Siew Cheong
Executive Director and Chief Executive Officer

28 June 2021

*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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.*

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

APPENDIX

Question 1: Have vessel utilisation picked up since 4Q2020? What has been the progress on management's efforts to deploy the 2 lift boats (Maintainer I & Delta 22) that came off charter during FY2020? What has been the utilisation trends and what is the outlook?

<u>Company's Response:</u>

As mentioned in the Company's 1Q2021 financial results announcement dated 15 June 2021, the utilisation for 1Q2021 was 62.4% with offshore market expected to remain challenging with uncertainties in its recovery.

With regard to the 2 lift-boats, the Management continues to actively engage the potential charterers by collaborating closely and providing potential solutions to suit their operational requirements. When there are material developments, the Group will update the market.

Apart from the two lift-boats, the Management had since able to secure charters for all of its OSV vessels except one, with the utilisation rates improving since the end of 1Q2021.

Question 2: What are the prospects for re-chartering the 10 marine vessels whose charter expires at the end of August next year? Are there better opportunities to redeploy these in Australia or elsewhere beyond the Middle East? What is management's strategy with regards to chartering diversification?

<u>Company's Response:</u>

As previously announced, 5 vessels (including 2 cross charter-in vessels, hence returned) had been early terminated by the Middle Eastern National Oil Company ("**MENOC**") in mid December 2020. Hence, at the moment, there are 5 remaining vessels whose charters expire in August 2022 but these contracts have imbedded 2-year extensions after the firm period expiries. The 3 owned vessels which were early terminated were progressively being put on contracts by April 2021 and are currently on-hire with an international contractor with a view for longer term contracts.

These 5 remaining vessels continue to operate effectively with utilisation at 98.0% year to date until 31 May 2021, i.e. almost full utilisation with the MENOC. The Group continues to actively engage with the end charterer to ensure that the strong operational performance will ensue to render these vessels in good stead for contract extensions.

Over time, the diversification efforts would also include working with National Oil Companies (NOCs), International Oil Companies (IOCs), through partners as well as with international Engineering Procurement Construction contractors, i.e. diversification across customer base. In addition, the Group is developing its project management capabilities to provide value-added services, i.e. diversification across services. While the Group has established its presence in the Middle East including now UAE, Saudi Arabia, Oman and Qatar, it is looking into opportunities in the vicinity including Africa as well as India, i.e. diversification through geographical expansion.

The factors to take into consideration in geographical expansion would include management resources to focus on its areas of competitive advantage, the suitability of vessels, the duration of contracts, other costs especially mobilisation and demobilisation as well as compliance with local content rules. These factors would have bearing on the overall competitiveness, profits and margins, and hence its decision to enter into new markets.

Question 3: What is the situation with recovery of doubtful debts due from joint venture and customers? Any likelihood of recovering these?

<u>Company's Response:</u>

As disclosed in the Company's 1Q2021 financial results announcement dated 15 June 2021, the legal proceeding involving the joint venture is ongoing, and the Group will update the market when there is significant development.

As for the trade and other receivables, the Group does not foresee any significant collection of these past doubtful debts which had been fully provided for, i.e. no further profit or loss impact.

Question 4: Your shareholders have suffered and the Company's P&L is in the red. Would the remuneration committee consider a symbolic and goodwill gesture reflective of the pain and suffering in the industry of reducing Director's fees and restoring it when the Company is profitability and prospects have been restored?

<u>Company's Response:</u>

We wish to highlight that only the Independent Directors are entitled to Directors' fees which broadly commensurate with the roles and responsibilities and are comparable to the market. As stated in page 28 of AR 2020, the Independent Directors receive Directors' fees in accordance with their representation and contributions on the Board and various Board Committees, taking into account factors such as effort and time spent, as well as the general corporate responsibilities, risks and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised.

We thank the shareholder for its feedback and will take this into consideration for the next AGM.

Question 5a: In assessing the carrying value of vessels for impairment testing, did Ernst & Young compare the carrying values with the market value of vessels? There is a ready market for such vessels, why did Ernst & Young not mention such reference comparison to market values as part of their audit procedure?

<u>Company's Response:</u>

As disclosed in Note 3.2(b) to the Financial Statements on page 71 of AR 2020, the Group estimates the recoverable amount of the vessels based on the higher of fair value less costs of disposal or value in use in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") 1-36 Impairment of Assets.

In determining the fair value of the vessels, the Group had engaged an independent professional valuer, who has considered the vessels' age, size, type and characteristics, including equipment on board, assuming a sale between a willing buyer and willing seller in accordance with the fair value measurement framework described in SFRS(I) 13.

As disclosed within the Key Audit Matter on page 44 of AR 2020, the auditor has assessed the appropriateness of the recoverable amounts determined by the Management including the involvement of their internal valuation specialist to assess the Group's appointed valuer's methodologies and reasonableness of key valuation parameters used.

Question 5b: What is the external valuer's valuation of the vessels and how does it compare with book value?

All of the Group's vessels are measured at cost less accumulated depreciation and any accumulated impairment losses.

As disclosed in Note 11 to the Financial Statements on page 75 of AR 2020, the Group had performed a review of the recoverable amount of its vessels determined based on the valuation report from an independent valuer. In cases where the carrying value exceeds the recoverable amount, the Group had recognised an impairment loss representing the write-down of these vessels' carrying value to the recoverable amount as previous disclosed.

Question 6: The utilisation rate for 1Q2021 reached a low of 62%. What is the outlook for the rest of the year, and if there is no improvement, how will the Company service its debt?

Company's Response:

As disclosed on the Company's 1Q2021 financial results announcement dated 15 June 2021, with the challenges emanating from the COVID-19 pandemic and volatilities of global oil prices, the offshore market is expected to remain challenging with uncertainties in its recovery.

The principal bankers have been supportive as evident by the completion of the Group's loans re-profiling such that the Group's operations are not disrupted, and that the Group is exploring potential sale of vessels to augment its cash flow if need be.

Question 7: Do you expect further impairment of the vessels held under PPE?

Company's Response:

As mentioned, the outlook is uncertain. The Group assessed its impairment if any on a semi-annual basis, next review due in the upcoming 2Q2021 results to be released by mid-August 2021. The factors taken in consideration would include age of vessels, similarity in concept design of vessels and uncertainty in visibility of utilisation, with valuation reports to be obtained from the independent professional valuers.

Question 8: What is management's assessment of the outlook for the rest of the FY? Can you provide an update on the order book status?

Company's Response:

Please refer to the responses to Question 6 above as well as Question 2(iii) of the SIAS questions on general outlook, and Question 2(ii) to the SIAS questions in relation to order books. The responses to SIAS questions were separately announced on 28 June 2021.

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