



Atlantic Navigation
Holdings (Singapore) Limited

ANNUAL REPORT 2017

Navigating choppy
O&M waters

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited, 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 annual report.

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

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

Atlantic Navigation Holdings (Singapore) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is listed on the Catalist board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The Group’s business activities started in 1997 when Atlantic Maritime Services LLC was incorporated in Dubai, United Arab Emirates (“**UAE**”), to provide ship repair, fabrication and other marine services to ship owners in the UAE region. It has since evolved from a ship repair, fabrication and other marine services provider to a ship owner and integrated offshore service provider.

As an integrated offshore service provider, we operate out of the UAE and in Malaysia, serving primarily customers in the Middle East, ASEAN region and Africa. We operate through our subsidiaries, namely Atlantic Maritime Group FZE (based in Hamriyah Free Zone, Sharjah, UAE) and Atlantic Ship Management LLC (based in Abu Dhabi, UAE) and through our associate company, Astra Offshore Sdn. Bhd. (based in Kuala Lumpur, Malaysia).

We have two principal operating divisions, namely Marine Logistics Services (“**MLS**”) and Ship Repair, Fabrication and Other Marine Services (“**SRM**”), which are vertically integrated to provide a one-stop solution to our customers:-

MARINE LOGISTICS SERVICES

Our MLS division provides ship chartering and technical management, principally for the offshore oil and gas as well as marine construction industries in the Middle East, India and Africa. Our marine logistics services are supported by our own operating fleet of 22 vessels which comprise a variety of AHT, AHTS, AHTSS, liftboats (jack-up accommodation crane barges, barges), work and maintenance utility vessels, tugs vessels and supply vessels, in addition to the vessels from our exclusively managed fleet. We also cross-charter vessels from third parties to serve the specific needs of our customers.

In relation to the oil and gas industry, we provide services supporting different phases of the exploration, construction and development, production and post-production of offshore oil and gas.

SHIP REPAIR, FABRICATION AND OTHER MARINE SERVICES

Our SRM division provides afloat and drydock repair and maintenance services (supported by the workshop facilities at our premises at Hamriyah Free Zone) to customers in the shipping industry and for vessels utilised in our MLS division. Our SRM division also provides steel fabrication works for the ship repairs industry including mobile drilling rigs.

PROJECT WORK

We also work with other service providers in the offshore oil and gas business to bid for projects that leverage off the strength and core competencies of each business. To this end, a consortium between Atlantic Ship Management LLC, a subsidiary of the Group, and Oceanus Co. Ltd. Korea (“**Oceanus**”), in which Oceanus has 51% interest (collectively, the “**Consortium**”), was awarded a US\$45.2 million project for the purchase and removal of decommissioned offshore and onshore facilities (the “**Project**”) in April 2017 by a Middle Eastern National Oil Company. In February 2018, the Consortium completed mobilisation, deployment of equipment, infrastructure setup and personnel for both the onshore and offshore phase of the Project. Operational work on the onshore phase of the Project started in March 2018, and operational work on the offshore phase is expected to start in May 2018.

OUR CUSTOMERS

Over the years, our dedicated services has enabled us to establish strong and stable relationships with various leading oil companies, contractors, survey companies, ship owners, ship yards and charterers in the region. We are a pre-qualified marine support and service provider to national oil and gas companies, oil majors and other clients in the offshore oil and gas sectors such as Abu Dhabi Marine Operating Company (ADMA-OPCO), Saudi Aramco, Qatar Gas, Qatar Petroleum, Bunduq Oil Company, Zakum Development Company (ZADCO), Hyundai Heavy Industries (HHI), Hyundai Design Engineering and Construction (HDEC), Ras Gas, Snamprogetti Saudi Arabia, J Ray McDermott M.E Inc., NPCC, ALE Heavylift, BGP Arabia Co. Ltd, Larsen & Toubro Limited, Maersk Oil, and Smit-Lamnalco.

CHAIRMAN'S STATEMENT



Dear Valued Shareholders

Having experienced a very difficult operating environment during 2016, 2017 has seen a small but welcomed improvement. Crude oil prices increased from a low of US\$54 per barrel at the start of 2017 to close at US\$64 per barrel at the end of 2017, and continued to improve to US\$77 per barrel at the end of May 2018. This has led to the announcement of new projects and new contracts, and an improvement in sentiment across the sector. The Group's strategy to make sure it was well positioned to benefit from this upturn was rewarded in March 2017 when it was awarded a new US\$44.0 million charter contract for its lift-boat, AOS Maintainer I, by a Middle Eastern National Oil Company ("MENOC"). In April 2017, the Group and its Korean consortium partner secured a US\$45.2 million contract with a MENOC for the purchase and removal of decommissioned offshore and onshore facilities.

On the US\$236.0 million long term charters of 10 vessels for a MENOC, three (3) vessels, including two (2) cross-chartered vessels, were fully deployed by 1Q2017. A significant focus for the Group is ensuring the seven (7) new vessels will be delivered and deployed in the first half of 2018 after some delays were incurred on the build schedule.

FINANCIAL PERFORMANCE

Group revenue for FY2017 increased by 13.6% to US\$33.9 million as compared to FY2016. However, gross profit decreased by 38.1% to US\$3.3 million in FY2017 as compared to FY2016 mainly as a result of the lower margin for two (2) cross-chartered vessels supporting the 10 vessels MENOC contracts. Gross profit margin decreased by 8.0 percentage points from 17.7% in FY2016 to 9.7% in FY2017.

Revenue from our Marine logistics services ("MLS") division was US\$32.4 million or 20.8% higher as compared to FY2016. Revenue was higher mainly due to the deployment of Group's lift-boat and a cross-chartered vessel on time charter with a MENOC. Despite the higher levels of activity, Day Charter Rates ("DCR") remained consistent with FY2016's low levels reflecting the oversupply of vessels. Revenue from our Ship repair, fabrication and other marine services ("SRM") division decreased from US\$3.0 million in FY2016 to US\$1.5 million in FY2017 due to lower level of repair works undertaken on third party vessels.

Our Group recorded a net loss of US\$13.2 million in FY2017, as compared to a net loss of US\$11.4 million in FY2016. This was mainly due to lower gross profit and higher finance costs. Finance costs increased by US\$6.7 million to US\$8.5 million in FY2017 from US\$1.8 million in FY2016 mainly due to loss on extinguishment of original convertible loan instrument with a supplemental convertible loan instrument during the year of US\$3.6 million, an increase in finance charges for the convertible loan of US\$0.9 million, loan from shareholder of US\$0.4 million, bank borrowing of US\$1.2 million and lesser capitalisation of borrowing costs during the year.

Our Group's operations generated lower operating cash flow before changes in working capital of US\$5.5 million in FY2017 as compared to US\$6.3 million in FY2016. The Group's gearing ratio increased to 57% in FY2017, from 52% in FY2016.





OUTLOOK AND STRATEGY

With the increase in the oil price and MENOC's 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 expects continuing competitive pressure on charter rates due to the influx of excess tonnages from other more adversely affected regions into the Middle East. The Group continues to align itself to this situation and 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.



DIVIDENDS AND PAYOUT

No dividend had been declared or recommended for FY2017.

WORDS OF APPRECIATION

Last but not least, I would like to express my sincere appreciation to the members of our Board, management and staff for their commitment, efforts and contributions to assist our Group to manage and steer through another challenging year. My thanks also go to all our clients, advisors, partners, suppliers and shareholders for their unwavering support and confidence in our Group.

Mr Wong Siew Cheong

Executive Chairman and Chief Executive Officer

BOARD OF DIRECTORS



From Left to Right: Andrew L. Waite, Mr Tong Choo Cherng, Mr Wong Siew Cheong, Mr Wong Chee Meng, Lawrence, Mr Goh Boon Chye, Mr Eu Lee Koon

Mr Wong Siew Cheong

Executive Chairman and Chief Executive Officer

Mr Wong was appointed to the Board on 31 July 2012 and is responsible for the strategic planning and development of the Group's business and spearheading the expansion and growth of the Group. Mr Wong is the founder of the Group and has more than thirty years of experience in the marine chartering and shipbuilding, repair, fabrication and maintenance business. Prior to establishing the Group, Mr Wong served as general manager of Selat Marine Service Co. Ltd. from 1991 to 1996, where he was responsible for the overall marketing, technical management and operations of their offshore vessels. Prior to joining Selat Marine Service Co. Ltd., Mr Wong was the shipyard manager at Marine Engineering Services Co (LLC) in Sharjah, UAE, where he was in charge of running the shipyard's operations and expansion program. Mr Wong had also worked with Qubaiai Int'l Est. Abu Dhabi, and the Keppel Group in Singapore.

Mr Wong graduated with a Bachelor of Mechanical Engineering from the University of Singapore in 1977.

Age:	65
Date of last election:	Not applicable as pursuant to Article 85, a Chief Executive Officer (or any Director holding an equivalent position) shall not be subject to retirement by rotation.

Mr Tong Choo Cherng

Executive Director (Finance)

Mr Tong was appointed to the Board on 31 July 2012 and is responsible for overall financial management and administrative management of the Group. Prior to joining the Group, Mr Tong was, until November 2011, a senior consultant to the chief executive officer of Hi-P International Ltd., a company listed on the Mainboard of the SGX-ST, where he had sat on the board as an independent director and as a member of its audit committee from March 2010 to August 2010. Mr Tong had also served as chief executive officer and executive director of mDR Limited, a company listed on the Mainboard of the SGX-ST from 2005 to 2010, and had worked in various senior management positions with Flextronics International Ltd., JIT Limited, Thomson Consumer Electronics Marketing Asia Pte. Ltd., United Circuits (HK) Ltd, United Greatwall (China) Ltd. and Motorola Electronics Pte Ltd.

Mr Tong graduated from the South West London College, faculty of Accountancy in 1977, and is a certified accountant under the Chartered Association of Certified Accountants (UK).

Age:	64
Date of last election:	28 April 2016

Mr Wong Chee Meng, Lawrence

Lead Independent Director

Mr Wong was appointed to the Board on 15 March 2018 as the Lead Independent Director, Chairman of the Nominating Committee, and member of the Remuneration Committee and Audit Committee. He is the Managing Director of Equity Law LLC and also heads its Corporate and Securities Practice. He is an experienced and established corporate practitioner and was previously a partner of reputable law firms. He co-headed the Corporate and Securities Practice of his previous firm and also headed its subsidiary, an approved SGX continuing sponsor.

His areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, corporate restructuring, joint ventures, corporate and commercial contracts, regulatory compliance and corporate governance advisory and corporate secretarial work. He has led numerous initial public offerings, reverse take-overs, secondary fund raising and cross-border merger and acquisition exercises.

Mr Wong graduated from the National University of Singapore in 1991 with an Honours degree in Law, on a scholarship from the Public Service Commission of Singapore. Subsequently, he has accumulated an extensive working experience in both the public and the private sectors of the legal profession. He is an advocate and solicitor in Singapore and a solicitor in Hong Kong SAR.

Mr Wong currently also sits on the board of directors of several public listed companies and has been recognised in leading legal publications such as IFLR 1000, The Legal 500 Asia Pacific for Corporate and M&A and Acquisition International.

Age:	50
Date of last election:	N/A

Mr Goh Boon Chye

Independent Director

Mr Goh was appointed to the Board on 31 July 2012. Mr Goh is currently the managing director of MG Capital (Asia) Limited. Prior to this, Mr Goh held various positions in KS Energy Limited, a company listed in the Mainboard of SGX-ST between 1999 to 2010, including chief financial officer, executive director, chief operating officer, chief business development officer and managing director where his duties mainly involved overseeing financial, accounting and internal control matters. Prior to that, Mr Goh was the managing director of Ampwatts Electric Pte Ltd, and had worked in Motorola Electronics Pte Ltd, KBC Group, Malaysia, Parker Hannifin Singapore Pte Ltd and Arthur Anderson & Company.

Mr Goh graduated from the National University of Singapore with a Bachelor of Accountancy degree, and is a fellow of the Institute of Singapore Chartered Accountants. He also holds a Master in Business Administration from Oklahoma City University.

Age:	65
Date of last election:	5 May 2017

Mr Eu Lee Koon

Independent Director

Mr Eu was appointed to the Board on 31 July 2012. He is currently the CEO of Capital Plus Pte Ltd, a consulting company providing services in the VC/PE industry. From 2008 to 2014, he worked at the Finance Department of the Government of Sharjah in the United Arab Emirates as the Director of Investments, where he started the organisation which invests in alternative investments and manages the various national assets of Sharjah. He has also worked at the Government of Singapore Investment Corporation (GIC) and VC firm, AIA-Walden, as well as a Myanmar country direct investment fund.

Mr Eu graduated with a Bachelor of Engineering from the National University of Singapore and holds a Master in Business Administration from the same university in 1992.

Age:	58
Date of last election:	28 April 2016

Andrew Lyndon Waite

Non-Executive Non-Independent Director

Mr Waite ("Andy") was appointed to the Board on 28 January 2016. Andy began a 35-year career in energy after earning a Bachelor of Science degree with First Class Honours in Civil Engineering from England's Loughborough University of Technology and a Master of Science degree in Environmental Engineering Science from California Institute of Technology (Caltech). He worked with the Royal Dutch Shell Group in a variety of technical and operating roles for companies in the Netherlands, Egypt, U.S. and Norway. Andy then attended Harvard Business School, where he earned a Master of Business Administration degree with High Distinction and was elected a Baker Scholar. He served as Vice President of Simmons & Company International before joining SCF Partners in 1995. He is currently Co-President of SCF Partners and L.E. Simmons & Associates, Incorporated.

Andy shares responsibility for the overall strategy and direction of SCF's activities and has specific responsibility for the firm's international operations and investments. He currently serves on the Board of Directors of Forum Energy Technologies, Inc. (NYSE: FET), Nine Energy Service, Inc. (NYSE: Nine), National Energy Services Reunited Corp. (NYSE: NESR) and Kinetic Consolidated Pty Ltd.

Andy is committed to playing a role in the community. He serves as a Director of Making It Better, which focuses on serving at-risk children in low income neighborhoods. Andy also serves on the Board of Trustees for the Houston Museum of Natural Science, and the Board of the Greater Houston Partnership and is former Vice President of the Board of the Harvard Business School Alumni Association.

Age:	57
Date of last election:	28 April 2016

EXECUTIVE OFFICERS

Mr Mohammad Reza Sadeghi

Chief Operating Officer

Mr Sadeghi is the Group's Chief Operating Officer, and is responsible for the day-to-day operations of the Group. Prior to joining the Group, Mr Sadeghi was a technical operation manager of the AQUA Group in Dubai, and between 1999 and 2001, Mr Sadeghi was a technical operation manager of Irano-Hind Shipping Co., a joint venture between Islamic Republic of Iran Shipping Lines Co ("IRISL") and Shipping Corporation of India. Mr Sadeghi had also held various technical and managerial roles in IRISL, including responsibility for new vessels in IRISL's Guangzhou shipyard from 1985 to 1999.

Mr Sadeghi graduated with a Bachelor of Science in Marine Engineering in 1985 from the Marine Engineering College of Calcutta, India.

Mr Wong Sek Pun

Commercial Director (MLS Division)

Mr Wong is the Group's Commercial Director and is responsible for the sales, business development and management of clients for the Group's MLS segment. Mr Wong joined the Group as the Business Development Manager of the Group's MLS segment in 2011 and was re-designated as Commercial Director (MLS division) in January 2015 to focus on the Group's sales and marketing activities. Prior to joining the Group, Mr Wong was a manager of communications and design for TransGrid Australia from 2002 to 2011. Mr Wong had also held various managerial and engineering positions in PowerTel Australia, Binariang Malaysia, and Cable & Wireless Optus Pty Ltd Australia from 1994 to 2001.

Mr Wong graduated with a Bachelor of Electrical Engineering from Sydney University in 1994 and a Master of Business Administration from Deakin University in 2000.

Mr Wong is the nephew of the Group's Executive Chairman and CEO, Mr Wong Siew Cheong.

Mr Zamirul Hassan Bayezid

Group Finance Manager

Mr Bayezid joined the Group in 2002 and is the Group's Finance Manager. He is responsible for assisting the Group's Executive Director (Finance), Mr Tong Choo Cherng, in managing the Group's accounting and finance functions, including the development and implementation of financial policies. Prior to joining the Group, Mr Bayezid was an independent financial controller cum functional accounting consultant to various companies based in the UAE. He had also previously worked in accounting and/or internal auditing positions for Farnek Service LLC, Arab Supply and Trading Corporation, Tabuk, Saudi Arabia, Anjuman Engineering College, Bhatkal, Karnataka, India, Fastrade International, Dubai and Gulf Furnishing Establishment, Dubai.

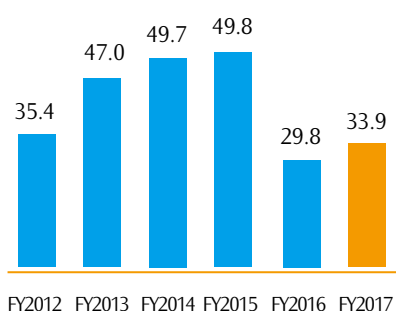
Mr Bayezid graduated with a Bachelor of Commerce from Bangalore University, India in 1979.

GROUP FINANCIAL HIGHLIGHTS

GROUP REVENUE

(US\$ million)

13.6% increase from US\$29.8 million in FY2016 to US\$33.9 million in FY2017

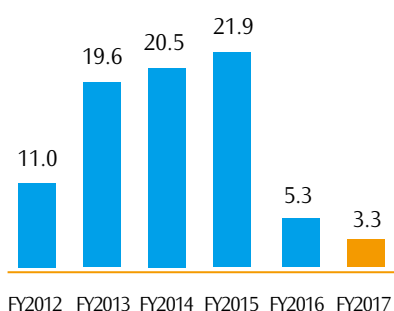


This include non-recurring listing expenses of US\$5.4 million relating to the reverse acquisition in FY2012

GROUP GROSS PROFIT

(US\$ million)

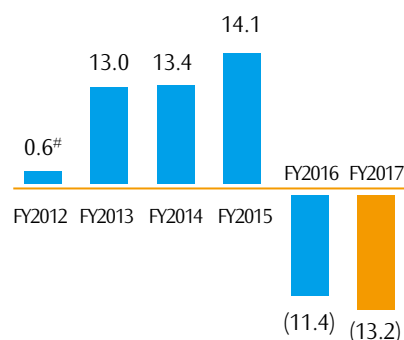
38.1% decrease from US\$5.3 million in FY2016 to US\$3.3 million in FY2017



NET PROFIT/(LOSS) AFTER TAX

(US\$ million)

Increased from a loss of US\$11.4 million in FY2016 to a loss of US\$13.2 million, which includes US\$3.6 million loss on extinguishment of convertible loan instrument in FY2017.

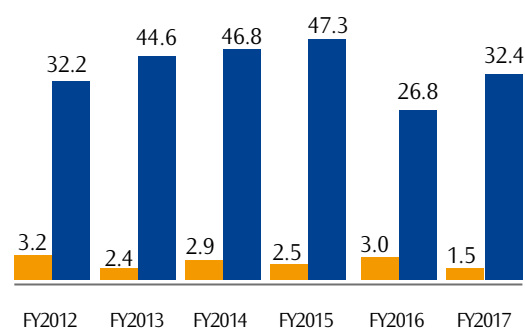


REVENUE BY SEGMENTS

(US\$ million)

Revenue for the MLS division increased by US\$5.6 million or 20.8% in FY2017.

Revenue for the SRM division decreased by US\$1.5 million or 50.8% in FY2017.

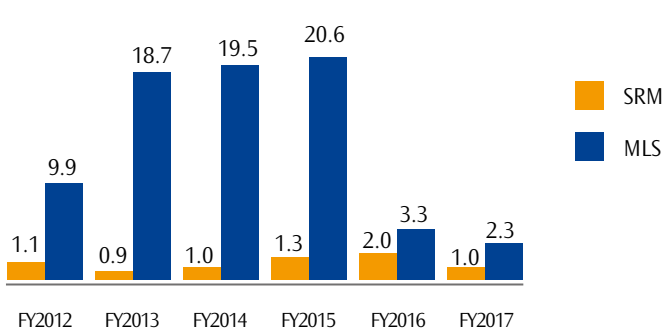


GROSS PROFIT BY SEGMENTS

(US\$ million)

Gross profit for the MLS division decreased by US\$1.0 million or 31.3% in FY2017.

Gross profit for the SRM division decreased by US\$1.0 million or 49.5% in FY2017.



Financial Indicators

Financial Indicators	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Basic Earnings/(Loss) per share (US\$ cents)	0.25	4.98	5.14	5.39	(4.38)	(5.05)
Diluted Earnings/(Loss) per share (US\$ cents)	0.25	4.98	5.07	5.30	(4.38)	(5.05)
Net Asset Value per share (US\$ cents)	22.3	27.3	32.0	36.9	32.6	29.0
Return on Total Assets	1.1%	18.2%	16.0%	14.6%	(6.3)%	(7.4)%
Return on Shareholders' Equity	0.7%	12.9%	11.0%	10.8%	(13.3)%	(17.4)%
Net Gearing	31.4%	23.1%	27.7%	23.6%	52.0%	57.3%

OPERATIONAL REVIEW

FINANCIAL PERFORMANCE

The Group's revenue of US\$33.9 million in FY2017 was US\$4.1 million or 13.6% higher than FY2016. Against a backdrop of higher utilisation, our MLS division posted an increase of US\$5.6 million or 20.8% in revenue as compared to FY2016. In FY2017, revenue from our SRM division decreased by US\$1.5 million or 50.8% as compared to FY2016, mainly due to a lower level of third party repair works undertaken for the year as a result of the slowdown in the marine and offshore industry.

Gross profit decreased by US\$2.0 million or 38.1% to US\$3.3 million in FY2017. Both gross profit of our MLS division and SRM division decreased by US\$1.0 million respectively as compared to FY2016.

Overall gross profit margin ("GPM") was lower at 9.7% in FY2017 as compared to 17.7% in FY2016. In FY2017, our MLS division posted a GPM of 7.0% and our SRM division posted a GPM of 67.6% versus 12.3% and 65.9% respectively in FY2016.

Marketing and distribution expenses for FY2017 of US\$0.2 million was US\$0.1 million higher than FY2016. Administrative expenses decreased by US\$0.4 million or 6.1% in FY2017 as compared to FY2016 mainly due to cost control measures resulting in reduction in salaries, office maintenance and other administrative costs.

Finance costs in FY2017 increased by US\$6.7 million from US\$1.8 million in FY2016 to US\$8.5 million in FY2017. The increase is due to US\$3.6 million loss on extinguishment of the convertible loan instrument with a supplemental convertible loan instrument during the year, an increase in finance charges for the convertible loan of US\$0.9 million, loan from shareholder of US\$0.4 million, bank borrowing of US\$1.2 million and lesser capitalisation of borrowing costs during the year.

In view of the above, the Group recorded a loss before tax of US\$12.4 million in FY2017.

FINANCIAL POSITION

Non-current assets decreased by US\$5.5 million, from US\$165.7 million as at 31 December 2016 to US\$160.2 million as at 31 December 2017. The decrease was primarily due to a depreciation charge of US\$7.3 million and disposal of vessel of US\$1.9 million, partially offset by additional investment of US\$1.8 million in vessel upgrade, capitalisation of finance cost of US\$1.3 million and dry docking cost of US\$0.6 million.

Current assets increased by US\$4.5 million, from US\$13.8 million as at 31 December 2016 to US\$18.3 million as at 31 December 2017. This was mainly due to an increase in trade and other receivables of US\$5.4 million and an increase in bank deposits pledged of US\$0.1 million, partially offset by a decrease in cash and bank balances of US\$0.8 million and the disposal of vessels held for sale of US\$0.2 million.

Non-current liabilities increased by US\$22.2 million, from US\$40.9 million as at 31 December 2016 to US\$63.1 million as at 31 December 2017. This was mainly due to reclassification of long-term secured bank loan of US\$10.1 million from current liabilities to non-current liabilities resulting from a loan rescheduling exercise, reclassification of US\$13.0 million and US\$2.3 million of convertible loan instrument and other payables to non-current liabilities and additional interest accrued and drawdown of new long-term loans, partially offset by repayment of loans and borrowings of US\$9.8 million.

Current liabilities decreased by US\$13.7 million, from US\$53.5 million as at 31 December 2016 to US\$39.8 million as at 31 December 2017, primarily due to reclassification of the long-term secured bank loan of US\$10.1 million from current liabilities to non-current liabilities resulting from a loan rescheduling exercise, reclassification of US\$13.0 million and US\$2.3 million of loan and other payables from current to non-current liabilities due to extension of the loan and change in terms of the other payables and a decrease in overdraft of US\$0.1 million, partially offset by an increase in new short term borrowings of US\$7.5 million and an increase in other liabilities of US\$2.1 million.

The Group's net current liabilities decreased by US\$18.2 million from US\$39.7 million as at 31 December 2016 to US\$21.5 million as at 31 December 2017 as a result of a decrease in current liabilities of US\$13.7 million and an increase in current assets of US\$4.5 million.

The Group had secured a US\$8.5 million 5-year loan from its Saudi representative in March 2018 and executed a 7-year term loan facility agreement of up to US\$29.8 million with its United Arab Emirates banker. These loans will be used to partially finance the cost, including mobilisation cost, of seven (7) brand new vessels to be deployed to support the long-term charter contracts of US\$236.0 million awarded by a Middle Eastern National Oil Company ("NOC"). The Group had drawn down an aggregate of US\$28.9 million of these loans and had taken



delivery and mobilized five (5) new vessels to the Middle East and the Group expects to take delivery of the remaining two (2) vessels from the shipyard in June 2018.

In addition to the above, the Group is currently working with various potential lenders to support partial funding of the balance cash take out and mobilisation cost of the remaining two (2) vessels, and to support the long-term working capital requirements of the Group. The Group is also exploring opportunities for private fund-raising activities. These options, if materialise, may, in addition to addressing its existing net current liabilities position, provide additional resources for new projects that the Group is working on.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flows used in operating activities amounted to US\$2.7 million in FY2017. This was mainly due to an increase in trade and other receivables of US\$7.2 million, interest paid during the year of US\$3.2 million and income tax paid of US\$0.8 million, partially offset by operating cash flows before changes in working capital of US\$5.5 million, an increase in trade and other payables of US\$2.2 million, and an increase in other liabilities of US\$0.7 million.

Net cash flows used in investing activities amounted to US\$0.6 million in FY2017. This was mainly due to investment in new vessels of US\$2.3 million, partially offset by proceeds from disposal of obsolete property, vessels and equipment and vessels held for sale of US\$1.7 million.

Net cash flows generated from financing activities of US\$2.6 million in FY2017 was a result of bank borrowings of US\$7.5 million, loan from a shareholder of US\$5.0 million, partially offset by repayment of term loan of US\$9.8 million and an increase in bank deposits pledged of US\$0.1 million.

OUTLOOK

While oil price had come off its low in 2015, overcapacity in the marine logistic services sector continues to keep charter rates depressed. Under this condition, the Group continues to be cautious with its fleet upgrade and expansion program. 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 totalling US\$45.0 million in June 2016 for seven (7) new vessels to support firm charters awarded to the Group by a Middle Eastern NOC to support the NOC'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, which are current being mobilised to start on the long-term contracts awarded the NOC. The Group expects to take delivery of the outstanding two (2) new vessels in June 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.

While oil price has stabilised, market conditions in the marine logistics sector remain challenging. Competition from excess tonnage flowing in from other geographies into the Middle East is keeping Day Charter Rates suppressed. Although the number of projects and business opportunities is increasing, a further increase in demand will be required to absorb the excess supply before rates can begin to begin to sustainably increase. Through its relationships, the Group is able to access to projects with more attractive economics or longer term charters to strong counterparties. However, it is prudent that the Group's business risk management processes remain heightened to focus on (i) maintaining high vessel utilisation levels by leveraging strategic relationship with customers; and (ii) offsetting the impact of rate reductions through controls of operational and manning costs.

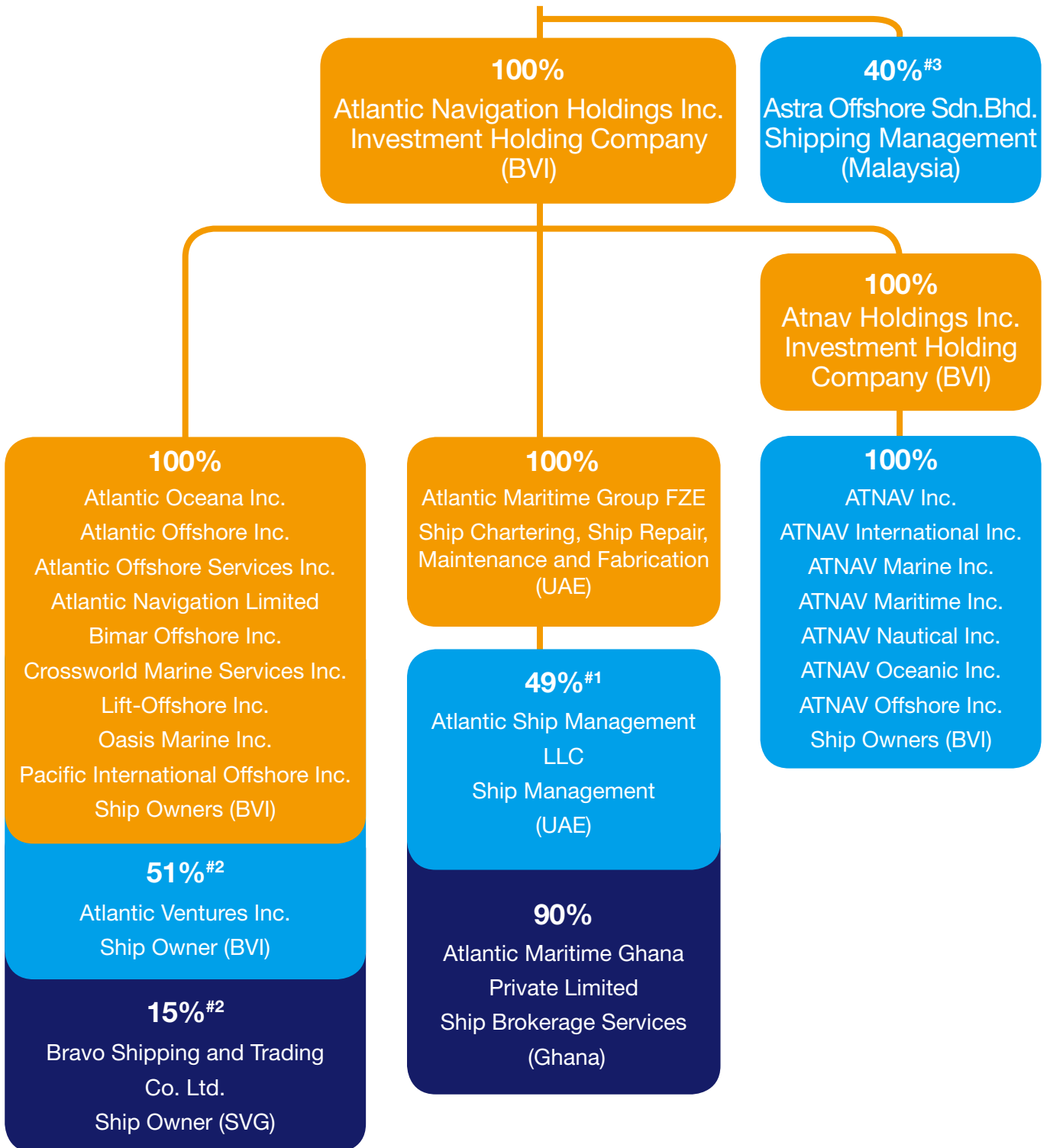
In spite of market difficulties, we continue to have good traction in securing new business with existing and new clients. The Middle East and Africa markets also provide business growth opportunities outside of existing relationships. The market generally provides opportunities for us to expand our fleet with the purchase of high quality assets. To support these opportunities, and given the additional level of financing that the Group would need to put in place to support such growth opportunities, the Group continues to evaluate its capital structure to ensure that we will be able to make the best of these new business opportunities and to meet all our obligations thereof.

GROUP STRUCTURE



Atlantic Navigation
Holdings (Singapore) Limited

Investment Holding Company
(Singapore)



^{#1} This represents the legal interests of the Group in Atlantic Ship Management LLC. The Directors consider Atlantic Ship Management LLC a subsidiary of the Group as the Group has control over the financial and operating policies and activities of this entity.

^{#2} The Group has 51% and 15% interests respectively in the ownership and voting rights in two joint operations, Atlantic Ventures Inc. and Bravo Shipping and Trading Co. Ltd.. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

^{#3} Associate of the Group

CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**” or the “**Directors**”) of Atlantic Navigation Holdings (Singapore) Limited (“**Atlantic**” or the “**Company**”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the “**Group**”) to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board confirms that, for the financial year ended 31 December 2017 (“**FY2017**”), the Company has generally adhered to the principles and guidelines set out in the Singapore Code of Corporate Governance 2012 (the “**Code**”). Where there are deviations from the Code, appropriate explanations are provided. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

A. BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The primary role of the Board is to lead and control the Company’s operations and affairs and to protect and enhance long-term shareholders’ value. The Board establishes the corporate strategic objectives of the Group and oversees the performance of the management of the Group (the “**Management**”). The Board also ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The principal functions of the Board are:-

- reviewing the financial results of the Group, evaluating the adequacy and integrity of the Group’s internal controls and external audit;
- reviewing the performance of the Management and the remuneration packages for the Board and key management personnel;
- identifying principal risks of the Group’s business, ensuring that such risks are assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- monitoring major investments, divestments, acquisition and disposal of assets;
- determining the Group’s values and standards including ethical standards;
- considering sustainability issues including environmental and social factors in the formulation of Group’s strategies; and
- assuming responsibility for corporate governance.

The Group has adopted internal guidelines for the Management, setting forth matters that require the Board’s approval. Matters which are reserved for the Board’s decision are:-

- approving the remuneration packages for the Board and key management personnel;
- approving corporate strategies;
- approving major funding proposals; and
- approving major investments, divestments, acquisition and disposal of assets.

CORPORATE GOVERNANCE REPORT

All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times, the interests of the Company. To assist in the efficient and effective discharge of its duties and responsibilities, the Board has established the board committees, namely, Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”) (collectively, the “Board Committees”). The Board Committees operate within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The Board acknowledges that while the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

The Board conducts regular scheduled meetings at least four (4) times a year to review, *inter alia*, the strategic policies of the Group, significant business transactions, performance of the business and approve the release of the quarterly and year-end financial results when required, ad-hoc Board and Board Committee meetings are also held to address significant transactions or issues that may arise. The Company’s Constitution allows meetings to be conducted by way of teleconference and videoconference.

Details of Board and Board Committee meetings held during FY2017 and members’ attendance are summarised in the table below:

Meetings	Board	Board Committees		
		Audit	Nominating	Remuneration
Total held in FY2017	4	4	1	1
Number of meetings attended				
Mr Wong Siew Cheong¹	4	4[#]	1[#]	1
Mr Tong Choo Cherng	4	4[#]	1[#]	1[#]
Mr Lee Kah Hoo²	4	4	1	1
Mr Goh Boon Chye	4	4	1	1
Mr Eu Lee Koon	4	4	1	1
Mr Andrew Lyndon Waite	4	4[#]	1[#]	1[#]
Mr Wong Chee Meng, Lawrence³	–	–	–	–

Notes:

[#]By invitation

- ¹ On 1 March 2017, Mr Wong Siew Cheong was appointed as a member of the NC.
- ² On 15 March 2018, Mr Lee Kah Hoo ceased to be the Lead Independent Director of the Company, Chairman of the NC, and a member of the RC and AC.
- ³ On 15 March 2018, Mr Wong Chee Meng, Lawrence was appointed as the Lead Independent Director of the Company, Chairman of the NC, and a member of the RC and AC.

The Company has and will continue to organise orientation programmes for current and new Directors (if and when required or when appointed) to familiarise them with the Group’s operations and business issues as well as the relevant regulations and governance requirements. Newly appointed Directors will be provided with background information on the Group’s history, business operations and policies. For new appointed Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.

Directors are kept informed on the relevant new laws, regulations, code of corporate governance, financial reporting standards and changing commercial risks, from time to time. Where appropriate, the Company will also fund the Directors’ attendance at any training programme. During the period under review, Directors are provided with briefings and updates (i) on the developments in financial reporting and governance standards by the external auditors, Ernst & Young LLP; and (ii) on changes in the relevant laws and regulations pertaining to the Group’s business and changing commercial risks and business conditions of the Group by the Management during the Board Committee meetings.

CORPORATE GOVERNANCE REPORT

Upon appointment of each Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this report, the Board consists of six (6) Directors and an Alternate Director, three (3) of whom are independent:

Mr Wong Siew Cheong	Executive Chairman and CEO
Mr Tong Choo Cherng	Executive Director (Finance)
Mr Wong Chee Meng, Lawrence	Lead Independent Director
Mr Goh Boon Chye	Independent Director
Mr Eu Lee Koon	Independent Director
Mr Andrew Lyndon Waite	Non-Executive Non-Independent Director
Mr Jeffrey William Ewen	Alternate Director to Mr Andrew Lyndon Waite

The NC reviews the independence of Directors on an annual basis. In its deliberation as to the independence of a Director, the NC took into account examples of relationships as set out in the Code, considered whether a Director had business relationships with the Group, its related corporations, its 10% shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment with a view to the best interests of the Group. After taking into account the views of the NC, the Board is satisfied that each Independent Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the Independent Director's judgement. The Board is of the view that there is a good balance between the Executive and Non-Executive Directors, and a strong and independent element on the Board.

Mr Wong Siew Cheong is the Executive Chairman and CEO of the Company. In view of the fact that the Chairman and the CEO is the same person, with the Board comprising six (6) Directors, three (3) of whom are independent, the composition of the Board complies with the recommendation under the Code that Independent Directors make up at least half of the Board.

None of the Independent Directors has served on the Board beyond nine (9) years from the date of his first appointment.

The composition of the Board and its Board Committees are reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board, and collectively possesses the necessary core competence in business, investment, audit, accounting and tax matters and industry knowledge for informed decision-making and effective functioning.

The Board, 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 its Board Committees, is of the view that its current size of six (6) Directors and the composition of the Board and its Board Committees are appropriate to meet the Company's objectives and facilitates effective decision making.

The Non-Executive Directors will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and in monitoring the reporting of performance. When necessary, the Non-Executive Directors will have discussions/meetings amongst themselves without the presence of the Management.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Wong Siew Cheong is the Group's Executive Chairman and CEO who is responsible for providing guidance on the corporate and business direction of the Group, scheduling and chairing of Board meetings, setting the agenda for Board meetings and ensuring sufficient allocation of time for thorough discussion of each agenda item (in particular strategic issues), promoting a culture of openness and debate at the Board, monitoring the complete, adequate and timely information flow between the Board and the Management, ensuring effective communication with shareholders, promoting high standards of corporate governance as well as managing the day-to-day operations of the Group with the help of senior Management. Mr Wong is the founder of the Group and plays a key role in developing the Group's business. Through the Group's performance in these few years, Mr Wong has demonstrated his vision, strong leadership and passion in the Group's business.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Three (3) out of six (6) of the Board members are Independent Directors and all the Board Committees are chaired by the Independent Directors. In addition, in view that the Executive Chairman is not an Independent Director, the Company has appointed Mr Wong Chee Meng, Lawrence as the Lead Independent Director and he is available to shareholders where they have concerns and for which contact through the normal channels of the Executive Chairman and CEO and Executive Director (Finance) has failed to resolve or is inappropriate. As such, the Board believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process. In view of the strong element of independence of the Board, it is not pertinent to separate the functions of the Executive Chairman and CEO.

The Independent Directors led by the Lead Independent Director, discuss and/or meet amongst themselves without the presence of the other Directors where necessary. The Lead Independent Director will also provide feedback to the Executive Chairman after such discussions/meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

As at the date of this report, the NC comprises four (4) members, three (3) of whom, including the Chairman, are Independent Directors. The members of the NC are:

Mr Wong Chee Meng, Lawrence	(Lead Independent Director)	Chairman
Mr Eu Lee Koon	(Independent Director)	Member
Mr Goh Boon Chye	(Independent Director)	Member
Mr Wong Siew Cheong	(Executive Chairman and CEO)	Member

The NC is governed by its written terms of reference. The principal functions of the NC are:

- (a) to make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board and the balance between Executive and Non-Executive Directors appointed to the Board;
- (b) to review, assess and recommend nominee(s) or candidate(s) for appointment or election to the Board, having regard to his/her qualifications, competency, other principle commitments and whether or not he/she is independent and in the case of a re-nomination, his/her contribution and performance;
- (c) to review Board succession plans for Directors, in particular for the Executive Chairman and CEO and the progressive renewal of the Board;

CORPORATE GOVERNANCE REPORT

- (d) to assess the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director to the effectiveness of the Board;
- (e) to determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or other relationships with the Company, its related corporation, its 10% shareholders or its officers and provide its views to the Board for the Board's consideration;
- (f) to review training and professional development programmes for the Board; and
- (g) to establish and review the criteria on the determination of the maximum number of directorships of listed companies any Director may hold, and to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and other principal commitments.

The NC is of the view that the Directors' contributions at the Board and Board Committees meetings, and their time commitment to the affairs of the Company, are adequate and it is not necessary at this stage to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. The NC will continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The Board currently has one (1) Alternate Director, namely Mr Jeffrey William Ewen, who is the Alternate Director to Mr Andrew Lyndon Waite. Mr Jeffrey William Ewen is appropriately qualified and is familiar with the affairs of the Company. The Alternate Director bears all the duties and responsibilities of a director.

In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee(s) or candidate(s) based on his/her qualifications, experience, commitment and ability to contribute to the Board process and such qualities and attributes that may be required by the Board.

Pursuant to Article 89 of the Company's Constitution, at least one-third of the Directors are to retire by rotation at every annual general meeting of the Company ("AGM") and a retiring Director is eligible for re-election by the shareholders of the Company at the AGM, provided that all Directors shall retire from office at least once every three (3) years at an AGM of the Company. In addition, Article 88 of the Company's Constitution provides that a newly appointed Director can only hold office until the next AGM and then be eligible for re-election. In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also their time and attention devoted to the Group's business and affairs.

The NC has recommended to the Board that Mr Wong Chee Meng, Lawrence, Mr Andrew Lyndon Waite and Mr Tong Choo Cherng be nominated for re-election at the Company's forthcoming AGM. In making the recommendation, the NC has considered each of the said Directors' overall contribution and performance. Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as Director.

Mr Wong Chee Meng, Lawrence will, upon re-election as a Director, remain as Lead Independent Director, the Chairman of the NC and a member of the RC and AC. Mr Andrew Lyndon Waite will, upon re-election as a Director, remain as Non-Executive Non-Independent Director and Mr Tong Choo Cherng will, upon re-election as a Director, remain as Executive Director (Finance).

Key information regarding the Directors is provided in the section entitled "Board of Directors" of the Annual Report.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

The Board is satisfied that its current size and composition is appropriate for effective decision making, taking into account the nature and scope of the Company's operations.

A formal Board performance evaluation, led by the NC, is conducted annually by means of a confidential questionnaire designed to assess the state of affairs of corporate governance matters in the Company, including the performance of each individual Board Committee. The NC is of the view that it is more appropriate and effective to assess the performance of the Board as a whole, bearing in mind that each member of the Board contributes in different ways to the success of the Company and Board decisions are made collectively. The assessment is separately completed by each Director to elicit his individual input, collated, analysed and discussed with the NC and the Board with comparatives from the previous year. Recommendations to further enhance the effectiveness of the Board and the various Board Committees are implemented, as appropriate. The NC had conducted a performance evaluation of the Board and the Board Committees for FY2017, and areas highlighted by the Directors in the evaluation were further deliberated on to improve corporate governance of the Group. No external facilitator had been engaged by the Board for this purpose.

Access to Information

Principle 6: In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board has independent and separate access to the Management at all times in carrying out its duties. The Management provides the Board with adequate and timely information including Board papers and related materials, and updates on initiatives and developments for the Group's business whenever possible.

For subjects that require the Board's decision, relevant members of the Management are invited to brief the Directors at the Board and Board Committee meetings. Periodic financial reports, budgets, forecasts, and other relevant reports and disclosure documents are provided to the Board, where appropriate, prior to the Board meeting. In respect of budgets, any material variance between the projections and actual results will be explained.

Directors have separate and independent access to the Company Secretaries. At least one of the Company Secretaries or their representatives attends all Board meetings and Board Committee meetings to ensure that Board procedures are followed and that applicable rules and regulations, and all governance matters are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board may, either individually or as a group, seek independent professional advice in furtherance of their duties, if necessary, at the Company's expense.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing a policy on executive remuneration and fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

As at the date of this report, the RC comprises three (3) members, all of whom, including the Chairman, are Independent Directors:

Mr Eu Lee Koon	(Independent Director)	Chairman
Mr Wong Chee Meng, Lawrence	(Lead Independent Director)	Member
Mr Goh Boon Chye	(Independent Director)	Member

CORPORATE GOVERNANCE REPORT

The RC is governed by its written terms of reference, which sets out its responsibilities:

- (a) to review and submit its recommendations for endorsement by the entire Board, a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment for each Director and key management personnel including but not limited to senior executives reporting directly to the CEO or employees related to the Executive Directors and controlling shareholders of the Group;
- (b) to review and submit its recommendations for endorsement by the entire Board, share option schemes, share award plans or any long-term incentive schemes which may be set up from time to time, in particular to review whether Directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith; and
- (c) as part of its review, the RC shall ensure that:
 - i. all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits-in-kind are covered;
 - ii. the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and key management personnel's performance;
 - iii. the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility; and
 - iv. the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Each member of the RC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. The RC benchmarks the remuneration of all Directors against peer companies in the sector. The RC has not engaged external professional remuneration consultant in FY2017. When necessary, the RC would seek independent professional advice on remuneration matters at the expense of the Company.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC considers the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of each individual Director.

The Executive Directors and Non-Executive and Non-Independent Director do not receive Directors' fees. The remuneration for the Executive Directors and the key management personnel comprise a basic salary component and a variable component and an annual bonus, based on the performance of the Group as well as their individual performance.

Annual reviews of the remuneration of the CEO and key management personnel are carried out by the RC to ensure that their remuneration is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

CORPORATE GOVERNANCE REPORT

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. Directors' fees are recommended by the Board for approval at the Company's AGM.

On 29 April 2015, the Company has adopted the new Atlantic 2015 Employee Share Option Scheme (the "Atlantic 2015 ESOS"), Atlantic 2015 Performance Share Plan (the "Atlantic 2015 PSP") and the Atlantic 2015 Restricted Share Plan (the "Atlantic 2015 RSP") (collectively, the "2015 Schemes") in substitution of the Atlantic Employee Share Option Scheme (the "Atlantic 2008 ESOS"), the Atlantic Performance Share Plan (the "Atlantic 2008 PSP") and the Atlantic Restricted Share Plan (the "Atlantic 2008 RSP"), respectively, all adopted on 18 November 2008 (collectively, the "2008 Schemes"). The 2008 Schemes had been terminated by the Committee upon passing of the resolution for the proposed Schemes at an extraordinary general meeting of the Company held on 29 April 2015. The details of the new 2015 Schemes are set out in the circular to shareholders of the Company dated 14 April 2015 in relation to the proposed adoption of the 2015 Schemes.

The Directors and key management personnel had participated in the Atlantic 2008 ESOS and share options were granted on 30 January 2014. The share options granted under the Atlantic 2008 ESOS have a validity period of five (5) years from the date of grant, which will expire on 29 January 2019. For avoidance of doubt, the termination of the Atlantic 2008 ESOS shall not affect outstanding options which have been granted and accepted but remain unexercised (whether fully or partially) at the termination of the Atlantic 2008 ESOS. In addition, share options pursuant to the Atlantic 2015 ESOS were granted to Mr Wong Siew Cheong, the Company's Executive Chairman and CEO, on 12 May 2015. The share options granted under the Atlantic 2015 ESOS have a validity period of five (5) years from the date of grant, which will expire on 11 May 2020. The Atlantic 2008 ESOS and the Atlantic 2015 ESOS are share option incentive plans which serves to reward and motivate Directors and key management personnel to strive for higher performance for the Company's growth and success. During FY2017, no share options and share awards have been granted under the 2015 Schemes.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties. The RC will review such contractual provision as and when necessary.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The level and mix of each Director's remuneration for FY2017 are as follows:

	Directors fees	Salary ¹	Bonus	Other benefits ²	Total
US\$'000					
Mr Wong Siew Cheong	–	458.4	0	0.7	459.1
Mr Tong Choo Cherg	–	333.2	0	0.7	333.9
Mr Lee Kah Hoo	35.3	–	–	0.3	35.6
Mr Goh Boon Chye	34.6	–	–	0.3	34.9
Mr Eu Lee Koon	33.8	–	–	0.3	34.1
Mr Andrew Lyndon Waite	–	–	–	–	–
Mr Wong Chee Meng, Lawrence	–	–	–	–	–

CORPORATE GOVERNANCE REPORT

The Group only has three (3) key management personnel who are not Directors. For FY2017, the aggregate remuneration paid to all the key management personnel of the Group amounted to approximately US\$638,000. The details of remuneration of the key management personnel of the Group are as follows:

	Salary ¹	Bonus	Other benefits ²	Total
US\$'000				
Mr Mohammad Reza Sadeghi <i>Chief Operating Officer</i>	278.3	0	0.7	279.0
Mr Wong Sek Pun <i>Commercial Director (MLS Division)</i>	253.4	0	0.4	253.8
Mr Zamirul Hassan Bayezid <i>Group Finance Manager</i>	104.6	0	0.2	104.8

Notes:

- ¹ Includes short term employee benefits and allowances.
- ² Fair value of grant of equity-settled share options.

Mr Wong Sek Pun is the nephew of Mr Wong Siew Cheong, the Company's Executive Chairman and CEO. There are no employees of the Group who is an immediate family member of any Director or the CEO, and whose remuneration exceeded S\$50,000 during FY2017.

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key management personnel and employees. In line with these objectives, the Group has adopted the Atlantic 2015 ESOS, the Atlantic 2015 PSP and the Atlantic 2015 RSP.

The Company believes that these long-term incentive schemes will align the interests of its employees with those of its shareholders.

On 30 January 2014, the Company granted 4,050,000 share options under the 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. Further information on the Atlantic 2008 ESOS, Atlantic 2008 PSP and Atlantic 2008 RSP are set out in the section entitled "Directors' Statement" of this Annual Report.

On 12 May 2015, the Company granted 750,000 share options under the Atlantic 2015 ESOS. 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. Further information on the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP are set out in the section entitled "Directors' Statement" of this Annual Report.

There is no termination, retirement or post-employment benefits that are granted to the Directors and the top three (3) key management personnel.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Company provides information pertaining to the operations, performance and financial position of the Group to all shareholders through SGXNET and the Company's Annual Report. The Board reviews and approves the results as well as any announcements before its release.

The Management provides the Board with monthly management accounts and a continual flow of relevant information on a timely basis in order for the Board to effectively discharge its duties. The Management also highlights key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospects. In presenting the annual financial statements and quarterly results to shareholders, the Board ensures that there are detailed analyses, explanations and assessments made on the Group's financial performance, position and prospects.

The Board reviews reports from the Management to ensure compliance with all the Group's policies, operational practices and procedures and relevant legislative and regulatory requirements. The Directors may seek independent professional advice and receive relevant training whenever applicable so as to maintain continuing standards and vigilance.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The Management, headed by the CEO, regularly reviews the Group's business and operational activities to identify areas of business risks as well as implement appropriate measures to control and mitigate these risks. All significant matters will be reported to the AC and the Board for further discussion. The AC and the Board also work with the internal and external auditors on their recommendations and institutes and executes relevant controls with a view to managing business risks.

The Group's financial risk management is discussed under Note 31 to the Financial Statements in the Annual Report.

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but it notes that all internal control systems contain inherent limitations and no system of internal controls or risk management could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The effectiveness of these controls is subject to review by the internal auditors and is monitored by the AC. In addition, the external auditors also review the accounting systems and internal controls to assist them in expressing an opinion on the financial statements of the Group as a whole. Significant non-compliance in internal controls, together with recommendations for improvement, is reported to the AC. Copies of these reports are also issued to the relevant department for follow-up action. The AC reviewed the adequacy and effectiveness of the Group's key internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems, with the assistance of the internal and external auditors and the Management, who provide regular reports during the year to the AC in addition to briefings and updates at the AC meetings.

CORPORATE GOVERNANCE REPORT

The Board had received written confirmations from the CEO and the Executive Director (Finance), that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, the various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that there are adequate and effective controls in place within the Group addressing financial, operational, compliance and information technology controls, and risk management policies and systems to meet the needs of the Group in its current business environment.

The Board will, on a continuing basis, endeavour to further enhance and improve the Company's system of internal controls and risk management policies.

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC performs its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 and the requirements of the Catalist Rules.

The AC comprises three (3) members, all of whom, including the Chairman, are independent. The members are:

Mr Goh Boon Chye	(Independent Director)	Chairman
Mr Wong Chee Meng, Lawrence	(Lead Independent Director)	Member
Mr Eu Lee Koon	(Independent Director)	Member

The AC members have numerous years of experience in senior management positions and have sufficient financial management expertise to discharge their responsibilities.

The AC meets at least four (4) times a year and as and when deemed appropriate to carry out its functions.

The AC assists the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and in developing and maintaining effective systems of risk management and internal control.

The AC is governed by its written terms of reference. The principal functions of the AC are as follows:

- (a) to review and monitor significant financial reporting issues and judgment to ensure the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards used by the Company and the Group;
- (b) to review, at the end of the audit cycle, the audit representation letters and the contents of the external auditors' management letter, and meet with the internal auditors and external auditors without the presence of the Management;
- (c) to review any formal announcements relating to the Group's financial performance;
- (d) to review and report to the Board at least annually on the adequacy and effectiveness of the Company's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems;
- (e) to review, monitor, assess and evaluate the role and effectiveness of the internal audit function in the overall context of the Company's risk management system;

CORPORATE GOVERNANCE REPORT

- (f) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, 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;
- (g) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions;
- (h) in connection with the terms of engagement to the external auditors, to make recommendations to the Board on the selection, appointment, re-appointment, and resignation of the external auditors based upon a thorough assessment of the external auditors' functioning, and approve the remuneration and terms of engagement of the external auditors. The proposal should be submitted to the general meeting of shareholders for approval when there is a change of external auditors;
- (i) monitor and assess the external auditors' independence and keep the nature and extent of non-audit services provided by the external auditors under review to ensure the external auditors' independence or objectivity is not impaired;
- (j) to review interested person transactions falling within the scope of the Catalist Rules;
- (k) to undertake such other reviews and projects as may be requested by the Board; and
- (l) to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has put in place a whistle-blowing policy whereby employees may, in confidence, report possible improprieties which may cause financial or non-financial loss of the Company. Whistle blowers could call and/or email to the Whistle Blowing Committee directly and in confidence, and his/her identity is protected from reprisals within the limit of the law. For FY2017 the Whistle Blowing Committee did not receive any whistle blowing reports.

The AC has full access to and co-operation from the Management and full discretion to invite any Director or executive officer to attend its meetings, and has been given resources to enable the AC to discharge its functions properly. The internal and external auditors have direct and unrestricted access to the Chairman of the AC and the Chairman of the Board.

The AC meets with the external auditors and the internal auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.

The aggregate audit fees paid and payable to the external auditors, Ernst & Young LLP, for FY2017 amounted to approximately US\$111,000. Non-audit services provided by the Company's external auditors for the period under review amounted to approximately US\$3,000. The AC conducts an annual review of all non-audit services, which was mainly for tax services and travel expenses related, and is satisfied that the provision of such services did not affect the independence and objectivity of the external auditors.

The Company has complied with Rules 712 and 715 of the Catalist Rules in relation to the appointments of its external auditors. No former partner or director of the Company's existing auditing firm is a member of the AC. Having satisfied as to the foregoing and that Rule 712 of the Catalist Rules has been complied with, the AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM.

In addition to the activities undertaken to fulfill its responsibilities, the AC is kept abreast by the Management, external and internal auditors on changes to accounting standards, Catalist Rules and other codes and regulations which could have an impact on the Group's business and financial statements.

CORPORATE GOVERNANCE REPORT

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company's internal audit function is outsourced to RSM UAE, a member firm of RSM International. RSM UAE reports directly to the Chairman of the AC. The main objective of the internal audit function is to assist the Group in evaluating and testing the effectiveness of internal controls and to reduce the risk that the Group might not achieve its business objectives. The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

RSM UAE is staffed with professionals with relevant qualifications and experience. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC at the beginning of the financial year for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concern.

The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights. Furthermore, the Company continually reviews and updates such governance arrangement.

Shareholders are informed of changes in the Company's businesses that are likely to materially affect the value of the Company's shares.

At general meetings of the Company, shareholders are given the opportunity to participate effectively in and vote at general meetings. Shareholders are informed of the rules, including voting procedures, that govern general meetings. In accordance with the Constitution of the Company, shareholders may appoint not more than two (2) proxies to attend and vote at the general meetings in their absence. Further, the Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies. On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. All shareholders are allowed to vote in person or by proxy.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of the major developments that impact the Group. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Pertinent information will be disclosed

CORPORATE GOVERNANCE REPORT

to shareholders in a timely, fair and equitable manner. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Information is communicated to shareholders on a timely basis through:

- (a) SGXNET releases and press releases;
- (b) annual reports that are prepared and issued to all shareholders; and
- (c) quarterly and annual financial statements containing a summary of the financial information and affairs of the Group for the period.

To further enhance its communication with investors, the Company's websites <http://www.atlanticnavigation.com> or <http://www.atlanticmaritimegroup.com> allow the public to access information on the Group directly. In addition, the Company also has investor relations email addresses (ir@amguae.net and corp@amguae.net) available on the Company's website to attend to the emails and requests from the public.

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or inputs and address shareholders' concerns at general meetings.

The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flows generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2017, the Board does not propose any dividend as the Company reported a loss for the period.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

Shareholders have the opportunity to participate effectively in and to vote at the AGMs or general meetings either in person or by proxy.

Resolutions on each distinct issue are tabled separately at general meetings.

Shareholders are encouraged to attend the Company's AGMs or general meetings to clarify issues and to share their opinions or concerns. The Board, including the respective Chairmen of the AC, NC and RC, external auditors and the Management will normally be in attendance to address shareholders' queries relating to the work of these Board Committees, the conduct of audit and the preparation and content of the auditors' report.

The Company Secretary prepares minutes of general meetings relating to the agenda of the meetings, and makes these minutes, subsequently approved by the Board, available to shareholders during office hours.

For greater transparency, the Company has instituted electronic poll voting and all resolutions are put to vote by electronic poll at its AGMs and general meetings commencing from 1 August 2015. Announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will also be made on the same day.

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of shareholders' identities through the web are not compromised.

CORPORATE GOVERNANCE REPORT

Dealing in Securities

In compliance with Rule 1204(19) of the Catalist Rules, the Company has in place a policy prohibiting share dealings by officers of the Company for the period of two (2) weeks prior to the announcement of the Company's quarterly results and one (1) month prior to the announcement of the full year results, as the case may be, and ending on the date of the announcement of the relevant results. Directors and employees who are in possession of unpublished material price-sensitive information of the Group should not deal in the Company's securities on short term considerations. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were paid to the Sponsor, SAC Capital Private Limited, during FY2017.

Interested Person Transactions

The Company has established review and approval procedures to ensure that interested person transactions entered into by the Group are conducted on normal terms and are not prejudicial to the interests of shareholders. In the event that a member of the AC is involved in any interested person transaction, he will abstain from reviewing that particular transaction.

The AC has reviewed the rationale for and terms of the Group's interested person transactions and is of the view that the interested person transactions are entered on normal terms and are not prejudicial to the interests of shareholders.

No general mandate has been obtained from shareholders in respect of interested person transactions for FY2017. The aggregate value of interested person transactions entered into during FY2017 as required for disclosure pursuant to Rule 1204(17) of the Catalist Rules is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year 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 under the 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\$398,000 (approximately S\$532,000)	NIL

Note:

⁽¹⁾ As at 31 December 2017, Mr Wong Siew Cheong, the Executive Chairman and CEO as well as a controlling shareholder of the Company, had provided an aggregate of US\$7.3 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.

Material Contracts

The Company and its subsidiaries did not enter into any material contracts (including loans) involving the interests of any Directors or controlling shareholders, which are either still subsisting as at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Atlantic Navigation Holdings (Singapore) Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) 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 as the Group will be able to generate sufficient cash flows from its operations as well as secure funding to support its committed capital expenditure in the near term. The events occurring after the reporting period are disclosed in Note 34 to the financial statements.

2. Directors

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

Wong Siew Cheong	Executive Chairman and CEO
Tong Choo Cherng	Executive Director (Finance)
Wong Chee Meng, Lawrence	Lead Independent Director
Eu Lee Koon	Independent Director
Goh Boon Chye	Independent Director
Andrew Lyndon Waite	Non-executive Non-independent Director
Jeffrey William Ewen	Alternate Director to Mr Andrew Lyndon Waite

In accordance with Article 88 of the Company's Constitution, Mr Wong Chee Meng, Lawrence retire and, being eligible, offer himself for re-election.

In accordance with Article 89 of the Company's Constitution, Mr Andrew Lyndon Waite and Mr Tong Choo Cherng retire and, being eligible, offer themselves for re-election.

3. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph five below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Wong Siew Cheong	173,099,000	173,099,000	33,375,000	33,375,000
Share options of the Company				
Wong Siew Cheong	750,000	750,000	—	—
Tong Choo Cherng	750,000	750,000	—	—
Lee Kah Hoo	260,000	260,000	—	—
Goh Boon Chye	260,000	260,000	—	—
Eu Lee Koon	260,000	260,000	—	—

By virtue of Section 164(15)(a) of the Singapore Companies Act, Chapter 50, Mr Wong Siew Cheong is deemed to have an interest in the 33,375,000 shares of the Company held by his spouse, Madam Chong Mee Chin.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

5. Share plans

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key senior management and employees.

In line with these objectives, the Company has adopted, which were approved by the shareholders of the Company at the Extraordinary General Meeting held on 18 November 2008, the Atlantic Employee Share Option Scheme ("Atlantic 2008 ESOS") (previously known as Fastube ESOS), Atlantic Performance Share Plan ("Atlantic 2008 PSP") (previously known as Fastube PSP) and Atlantic Restricted Share Plan ("Atlantic 2008 RSP") (previously known as Fastube RSP) (collectively, the "2008 Schemes").

DIRECTORS' STATEMENT

5. Share plans (cont'd)

On 29 April 2015, the Company has terminated the 2008 Schemes and no further options or awards shall be offered by the Company under the 2008 Schemes. On the same day, the Company has also adopted the Atlantic 2015 Employee Share Option Scheme ("Atlantic 2015 ESOS"), Atlantic 2015 Performance Share Plan ("Atlantic 2015 PSP") and Atlantic 2015 Restricted Share Plan ("Atlantic 2015 RSP") (collectively, the "2015 Schemes") which were approved by the shareholders of the Company to substitute the 2008 Schemes.

Atlantic 2008 ESOS and Atlantic 2015 ESOS ("Atlantic ESOS")

Under the Atlantic 2008 ESOS, the number of additional ordinary shares to be issued pursuant to Atlantic 2008 ESOS shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company but subject to the aggregate number of shares available under the 2008 Schemes not exceeding 15% of total number of issued shares, from time to time. The Atlantic 2008 ESOS has been terminated on 29 April 2015.

On 30 January 2014, the Company granted 4,050,000 share options under the 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 US\$319,000). The termination of the Atlantic 2008 ESOS shall not affect the outstanding share options granted and accepted but remain unexercised (whether fully or partially) at the termination of this Atlantic 2008 ESOS.

Under the Atlantic 2015 ESOS, the number of additional ordinary shares to be issued pursuant to Atlantic 2015 ESOS shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares, from time to time.

On 12 May 2015, the Company granted 750,000 share options under the 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 US\$54,000).

Details of share options granted to the directors of the Company are as follows:

Name of director	Number of options
Tong Choo Cherng ⁽¹⁾	750,000
Lee Kah Hoo ⁽¹⁾	260,000
Eu Lee Koon ⁽¹⁾	260,000
Goh Boon Chye ⁽¹⁾	260,000
Wong Siew Cheong ⁽²⁾	750,000
Total	2,280,000

⁽¹⁾ These options are granted under the Atlantic 2008 ESOS.

⁽²⁾ These options are granted under the Atlantic 2015 ESOS.

DIRECTORS' STATEMENT

5. Share plans (cont'd)

Atlantic 2008 ESOS and Atlantic 2015 ESOS ("Atlantic ESOS") (cont'd)

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Atlantic ESOS are as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Tong Choo Cherng	–	750,000	–	750,000
Lee Kah Hoo	–	260,000	–	260,000
Eu Lee Koon	–	260,000	–	260,000
Goh Boon Chye	–	260,000	–	260,000
Wong Siew Cheong	–	750,000	–	750,000
Total	–	2,280,000	–	2,280,000

These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

Atlantic 2008 PSP and Atlantic 2015 PSP ("Atlantic PSP")

The Atlantic 2008 PSP has been terminated on 29 April 2015 and there are no outstanding performance shares under the Atlantic 2008 PSP at the termination of this Atlantic 2008 PSP.

Under the Atlantic 2015 PSP, the number of additional ordinary shares to be issued pursuant to the Atlantic PSP shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares, from time to time.

No performance shares have been granted under the Atlantic PSP during the financial year ended 31 December 2017.

Atlantic 2008 RSP and Atlantic 2015 RSP ("Atlantic RSP")

The Atlantic 2008 RSP has been terminated on 29 April 2015 and there are no outstanding performance shares under the Atlantic 2008 RSP at the termination of this Atlantic 2008 RSP.

Under the Atlantic 2015 RSP, the number of additional ordinary shares to be issued pursuant to the Atlantic 2015 RSP shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares, from time to time.

DIRECTORS' STATEMENT

5. Share plans (cont'd)

Atlantic 2008 RSP and Atlantic 2015 RSP ("Atlantic RSP")(cont'd)

No share awards have been granted under the Atlantic RSP during the financial year ended 31 December 2017.

At the date of this report, the committee which administers the Atlantic ESOS, Atlantic PSP and Atlantic RSP comprises Mr Eu Lee Koon, Mr Wong Siew Cheong and Mr Tong Choo Cherng.

Except as disclosed above, since the commencement of the employee share option plans till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates
- No participant has received 5% or more of the total options available under the plans
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted
- No options have been granted at a discount

6. Audit committee

The members of the Audit Committee ("AC") at the date of this report are:

Goh Boon Chye (Chairman)	Independent Director
Wong Chee Meng, Lawrence (Member)	Lead Independent Director
Eu Lee Koon (Member)	Independent Director

The AC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. The functions performed and further details are set out in the Corporate Governance Report.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

The AC has nominated Ernst & Young LLP for re-appointment as auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Wong Siew Cheong
Director

Tong Choo Cherng
Director

11 June 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atlantic Navigation Holdings (Singapore) Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements. The Group incurred a net loss of US\$13,156,000 during the financial year ended 31 December 2017 and as at that date, the Group's current liabilities exceeded its current assets by US\$21,518,000. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows from its operations as well as secure funding to support its committed capital expenditure in the near term. The Group's actions after the balance sheet date are disclosed in Note 34 to the financial statements. If the Group is unable to continue in 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 sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Key Audit Matters

Key audit matters are matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Carrying value of vessels

The Group owned 17 vessels with a carrying value of US\$155,460,000 as at 31 December 2017. At each reporting period, the Group assesses whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of the asset concerned. Management has assessed that vessels with low utilisation rate during the period, committed to loss making charters or unutilised as at end of each reporting period, are indicators of impairment and based on the assessment, as at 31 December 2017, 4 vessels have indicators of impairment. The impairment test was conducted by comparing the carrying amount of the vessels to their respective recoverable amount. Based on the outcome of the impairment tests, the Group noted that there was no impairment as at year end.

Management has assessed the recoverable amounts of operating vessels based on its value in use calculations by performing cash flow projections over its remaining useful lives. This assessment required management to use significant judgement over the assumptions and estimates for the projections.

We carried out procedures to understand management's process for identifying impairment indicators and considered management's assessment of impairment. Our audit procedures, amongst others, in assessing the appropriateness of the recoverable amounts determined by management included:

- Reviewed the basis of management's assessment of the estimated useful lives and residual values of the vessels;
- Assessed management's evaluation of indicators of impairment for the vessels;
- Reviewed management's assessment of recoverable amounts of the vessels through the following:
 - Assessed the key assumptions used in value in use calculations, including vessels projected future charter rates, utilisation rate and gross margin, by comparing to historical data and market outlook;
 - Evaluated the discount rates used to determine the present value by comparing to external observable data, which was assisted by our internal valuation specialists; and
 - Reviewed management's analysis of the sensitivity of the recoverable amount to changes in the key assumptions.

We also assessed the adequacy of the relevant disclosures in the financial statements. The management's conclusion on the impairment test and the related disclosures are included in Note 3.2b and Note 11. The accounting policies for property, vessels and equipment and its relevant disclosures, and the key sources of estimation uncertainty in relation to impairment of non-financial assets are disclosed in Note 2.6, Note 11 and Note 3.2b respectively.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Key Audit Matters (cont'd)

2. Trade receivables and allowance for doubtful debts

Trade receivables of US\$11,888,000 as at 31 December 2017 were significant to the Group as they represent 65% of the total current assets as at 31 December 2017. The credit worthiness of customers may be impacted by certain micro and macro-economic conditions, resulting in overdue trade receivables. The collectability of trade receivables is a key element of the Group's working capital management. The Group performs a collectability assessment on the outstanding amount due from each customer on a monthly basis. In certain circumstances, the Group also accepts offsetting arrangements with customers to offset trade receivables with trade payables, when the customer is also a vendor. In addition, trade receivables impairment assessment other than those with offsetting arrangements require significant management judgement in providing allowance for doubtful debts for those accounts that have higher risk of non-collectability. As such, we determined that this is a key audit matter.

Our audit procedures, amongst others, in response to the above mentioned key audit matter:

- Obtained an understanding of the credit policies and credit assessment procedures;
- Evaluated Group's processes and controls relating to the monitoring of trade receivables;
- Evaluated the adequacy of the allowance for doubtful accounts through the following:
 - Reviewed Management's assessment through the analysis of the debtors aging report to identify any long overdue receivables and reviewed their historical pattern of settlement;
 - Discussed with management on the collectability of receivables and adequacy of doubtful receivables allowances, and inquire management if there are any known disputed receivables;
 - Reviewed the collectability of the trade receivables by way of obtaining evidence of receipts subsequent to the balance sheet date from the customers;
 - Selected samples to circulate trade receivables confirmation. For non-replies, we have performed alternative audit work by checking to supporting sales and delivery documents or checking subsequent cash settlements by vouching to receipts in the form of bank advices or equivalent and bank statements; and
 - Reviewed for offsetting arrangements during the financial year, if any;

We assessed the adequacy of the Group's disclosures on the trade receivables, the key sources of estimation uncertainty in relation to impairment of loans and receivables, and the related risks such as credit risk and liquidity risk in Notes 19, Note 3.2c and Note 31 to the financial statements respectively.

3. Valuation of convertible loan

In January 2016, the Company entered into a convertible loan agreement (the "Loan Agreement") with a third party pursuant to which the third party extended a loan of US\$13,000,000 to the Company (the "Convertible Loan"). The Convertible Loan matured on 31 December 2016.

In January 2017, the Company entered into a second supplemental agreement ("Second Supplemental Agreement") to further amend, revise and vary the terms of the Loan Agreement (as amended by the First Supplemental Agreement on 8 February 2016). The maturity date of the Loan Agreement was extended from 31 December 2016 to 3 January 2019. In addition, the conversion price and interest rate were changed under the Second Supplemental Agreement. The Company is required to assess the fair value of the convertible loan pursuant to the Second Supplemental Agreement at its inception. The Company engaged an external valuation expert to perform the valuation. This exercise involved various underlying assumptions and techniques used by the external valuation expert. The key assumptions are included in Note 21 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Key Audit Matters (cont'd)

3. Valuation of convertible loan (cont'd)

Our audit procedures, amongst others, in response to the above mentioned key audit matter:

- Obtained and reviewed the Second Supplemental Agreement;
- Reviewed Management's assessment on the classification of the Second Supplemental Agreement;
- Assessed the credentials of the valuers and their ability to perform a reasonable valuation;
- Evaluated the methodology and assumptions used in the valuation report, which was assisted by our internal valuation specialists; and
- Assessed the key assumptions used in the valuation, including expected volatility of the underlying SGD share price and the expected volatility of USD/SGD spot rate, risk-free rate and market interest rate, assisted by our interval valuation specialists.

We also assessed the adequacy of the relevant disclosures in the financial statements. The related disclosures are included in Note 2.18, Note 3.2d and Note 21 to the financial statements. The key sources of estimation uncertainty in relation to the valuation of convertible loan are disclosed in Note 3.2d to the financial statements.

Other Information

Management is responsible for 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 FRSs, 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 Atlantic Navigation Holdings (Singapore) 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 Groups 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 period 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 Atlantic Navigation Holdings (Singapore) 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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Shekaran Krishnan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
11 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

(Amounts expressed in United States Dollars)

	Note	2017 US\$'000	2016 US\$'000
Revenue	4	33,874	29,806
Cost of services		(30,603)	(24,522)
Gross profit		3,271	5,284
Other items of income			
Finance income	5	2	11
Other income	6	55	211
Other items of expense			
Marketing and distribution expenses		(236)	(138)
Administrative expenses		(6,318)	(6,732)
Finance costs	5	(8,522)	(1,812)
Other expenses	7	(730)	(8,173)
Share of results of an associate		–	2
Share of results of a joint venture		77	–
Loss before tax	8	(12,401)	(11,347)
Income tax expense	9	(755)	(80)
Loss for the year, representing total comprehensive income for the year attributable to owners of the Company		<u>(13,156)</u>	<u>(11,427)</u>
Loss per share attributable to owners of the Company (US\$ cents)			
Basic	10	(5.05)	(4.38)
Diluted	10	<u>(5.05)</u>	<u>(4.38)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2017

(Amounts expressed in United States Dollars)

	Note	Group		Company	
		2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
ASSETS					
Non-current assets					
Property, vessels and equipment	11	159,712	165,248	–	–
Intangible asset	12	141	141	141	141
Investment in subsidiaries	13	–	–	66,741	66,741
Investment in an associate	14	–	–	–	–
Investment in a joint venture	15	77	–	–	–
Prepayments		319	299	–	–
		<u>160,249</u>	<u>165,688</u>	<u>66,882</u>	<u>66,882</u>
Current assets					
Inventories	17	215	281	–	–
Vessels held for sale	18	–	180	–	–
Trade and other receivables	19	16,329	10,887	72,507	72,526
Prepayments		803	843	205	205
Cash and bank balances	20	697	1,536	163	197
Bank deposits pledged	20	235	100	235	8
		<u>18,279</u>	<u>13,827</u>	<u>73,110</u>	<u>72,936</u>
Total assets		<u>178,528</u>	<u>179,515</u>	<u>139,992</u>	<u>139,818</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	23	14,672	14,782	237	2,414
Other liabilities	24	5,483	3,409	1,434	730
Loans and borrowings	21	19,642	35,349	8,811	31,897
		<u>39,797</u>	<u>53,540</u>	<u>10,482</u>	<u>35,041</u>
Net current (liabilities)/assets		<u>(21,518)</u>	<u>(39,713)</u>	<u>62,628</u>	<u>37,895</u>
Non-current liabilities					
Provisions	22	570	519	–	–
Loans and borrowings	21	55,234	40,400	47,734	30,044
Other payables	23	7,332	–	7,332	–
		<u>63,136</u>	<u>40,919</u>	<u>55,066</u>	<u>30,044</u>
Total liabilities		<u>102,933</u>	<u>94,459</u>	<u>65,548</u>	<u>65,085</u>
Net assets		<u>75,595</u>	<u>85,056</u>	<u>74,444</u>	<u>74,733</u>
Equity attributable to owners of the Company					
Share capital	25	12,370	12,370	85,534	85,534
Other reserves	26	4,690	995	4,431	736
Retained earnings/(accumulated losses)		58,535	71,691	(15,521)	(11,537)
Total equity		<u>75,595</u>	<u>85,056</u>	<u>74,444</u>	<u>74,733</u>
Total equity and liabilities		<u>178,528</u>	<u>179,515</u>	<u>139,992</u>	<u>139,818</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

(Amounts expressed in United States Dollars)

Group	Equity, total US\$'000	Attributable to owners of the Company		
		Share capital (Note 25) US\$'000	Other reserves (Note 26) US\$'000	Retained earnings US\$'000
Balance at 1 January 2017	85,056	12,370	995	71,691
Loss for the year, representing total comprehensive income for the year	(13,156)	–	–	(13,156)
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share options to employees	5	–	5	–
Equity component of convertible loan instrument (Note 21)	3,690	–	3,690	–
Total contributions by and distributions to owners	3,695	–	3,695	–
Balance at 31 December 2017	75,595	12,370	4,690	58,535
Balance at 1 January 2016	96,087	12,370	599	83,118
Loss for the year, representing total comprehensive income for the year	(11,427)	–	–	(11,427)
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share options to employees	28	–	28	–
Equity component of convertible loan instrument (Note 21)	368	–	368	–
Total contributions by and distributions to owners	396	–	396	–
Balance at 31 December 2016	85,056	12,370	995	71,691

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

(Amounts expressed in United States Dollars)

Company	Equity, total US\$'000	Attributable to owners of the Company		
		Share capital (Note 25) US\$'000	Other reserves (Note 26) US\$'000	Accumulated losses US\$'000
Balance at 1 January 2017	74,733	85,534	736	(11,537)
Loss for the year, representing total comprehensive income for the year	(3,984)	–	–	(3,984)
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share options to employees	5	–	5	–
Equity component of convertible loan instrument (Note 21)	3,690	–	3,690	–
Total contributions by and distributions to owners	3,695	–	3,695	–
Balance at 31 December 2017	74,444	85,534	4,431	(15,521)
Balance at 1 January 2016	75,216	85,534	340	(10,658)
Loss for the year, representing total comprehensive income for the year	(879)	–	–	(879)
<u>Contributions by and distributions to owners</u>				
Grant of equity-settled share options to employees	28	–	28	–
Equity component of convertible loan instrument (Note 21)	368	–	368	–
Total contributions by and distributions to owners	396	–	396	–
Balance at 31 December 2016	74,733	85,534	736	(11,537)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

(Amounts expressed in United States Dollars)

	Note	2017 US\$'000	2016 US\$'000
Operating activities			
Loss before tax		(12,401)	(11,347)
Adjustments for:			
Net loss/(gain) on disposal of property, vessels and equipment	7,6	721	(57)
Net loss on disposal of vessels held for sale	7	9	–
Interest income	5	(2)	(11)
Depreciation of property, vessels and equipment	8	7,317	6,170
Allowance for doubtful trade debts, net	8	1,285	1,303
Impairment loss on amount due from associate	8	–	101
Bad debts written off	8	–	11
Share of results of an associate		–	(2)
Share of results of a joint venture		(77)	–
Finance costs	5	8,522	1,812
Provisions	22	77	137
Write-off of property, vessels and equipment	7	–	5,340
Impairment loss on property, vessels and equipment	7	–	2,269
Impairment loss on vessels held for sales	7	–	20
Grant of equity-settled share options to employees	27	5	28
Impairment of investment in associate	7	–	544
Total adjustments		17,857	17,665
Operating cash flows before changes in working capital		5,456	6,318
Changes in working capital:			
Decrease/(increase) in inventories		66	(164)
(Increase)/decrease in trade and other receivables		(7,161)	3,380
Decrease/(increase) in prepayments		20	(778)
Increase in trade and other payables		2,190	5,624
Decrease in provisions		(26)	(56)
Increase in other liabilities		703	736
Total changes in working capital		(4,208)	8,742
Cash generated from operations		1,248	15,060
Interest received		2	11
Interest paid		(3,241)	(4,427)
Income tax paid		(755)	(80)
Net cash flows (used in)/generated from operating activities		(2,746)	10,564
Investing activities			
Purchase of property, vessels and equipment		(2,326)	(66,952)
Proceeds from disposal of property, vessels and equipment		1,158	126
Proceeds from disposal of vessel held for sale		605	–
Net cash flows used in investing activities		(563)	(66,826)
Financing activities			
Proceed from loan from a shareholder		5,032	2,300
Proceeds from loans and borrowings		7,500	62,360
Repayment of loans and borrowings		(9,806)	(11,618)
Increase in bank deposits pledged		(135)	(100)
Net cash flows generated from financing activities		2,591	52,942
Net decrease in cash and cash equivalents		(718)	(3,320)
Cash and cash equivalents at 1 January		941	4,261
Cash and cash equivalents at 31 December	20	223	941

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. Corporate information

The former name of the Company is Fastube Limited. Upon the completion of a reverse acquisition on 31 July 2012, the Company's name was changed to Atlantic Navigation Holdings (Singapore) Limited which is a limited liability company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is at 6 Battery Road #10-01, Singapore 049909. The principal place of business of the Group is located at Plot No. HD-02, P. O. Box 50246, Hamriyah Free Zone, Sharjah, United Arab Emirates.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

1.2 Reverse acquisition undertaken by the Company (the "Reverse Acquisition")

On 13 March 2011, Atlantic Navigation Holdings (Singapore) Limited (the "Company") had entered into a sale and purchase agreement with the then-controlling shareholders of the Company (the "Purchasers") to dispose of the Company's then-existing subsidiaries and its existing business to the Purchasers (the "Disposal"). The Disposal was subsequently completed on 31 July 2012 and pursuant to the Disposal, the Company became a non-trading shell company.

On 31 July 2012, the Company completed the acquisition of the entire issued and paid-up capital of Atlantic Navigation Holdings Inc. ("ANH Inc.") and its subsidiaries (collectively, the "Atlantic Group") (the "Acquisition"). The Acquisition resulted in a Reverse Takeover ("RTO") of the Company.

The Acquisition has been accounted for as a RTO and the legal subsidiaries, the Atlantic Group, is regarded as the acquirer and the Company, previously known as Fastube Limited ("Fastube") before completion on 31 July 2012, is regarded as the acquiree for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of the Atlantic Group's financial statements.

The purchase consideration was satisfied by the allotment and issuance of 228,125,000 new shares in the capital of the Company on 31 July 2012.

The shares in the Company were consolidated on 31 July 2012 on the basis of one share for every 10 shares held by shareholders ("Share Consolidation"). The number of consolidated shares to which shareholders are entitled arising from the Share Consolidation were rounded down to the nearest whole consolidated share, and any fractions of consolidated shares arising from the Share Consolidation were disregarded.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. Corporate information (cont'd)

1.2 Reverse acquisition undertaken by the Company (the "Reverse Acquisition") (cont'd)

At Group level

The acquisition of the Atlantic Group has been accounted for in the consolidated financial statements as a reverse acquisition involving a non-trading shell company. This transaction has been accounted for in the consolidated financial statements as a share-based transaction as described in FRS 102 *Share-based Payment* where the Atlantic Group was deemed to have issued shares in exchange for the net assets/liabilities in the Company together with the listing status of the Company. The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition, being 12,500,000 consolidated shares at the market price at the date of acquisition. The listing status did not qualify for recognition as an intangible asset, and accordingly, the cost of the reverse acquisition (net of assets/liabilities acquired) had been expensed off in the consolidated statement of comprehensive income for the financial year ended 31 December 2012.

Since such consolidated financial statements represent a continuation of the financial statements of the Atlantic Group:

- (a) the assets and liabilities of the Atlantic Group are recognised and measured in the balance sheet of the Group at their pre-acquisition carrying amounts;
- (b) the assets and liabilities of the Company are recognised and measured in the consolidated balance sheet at their acquisition-date fair values;
- (c) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the Atlantic Group immediately before the reverse acquisition; and
- (d) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Atlantic Group immediately before the reverse acquisition to the costs of the reverse acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the Company to effect the reverse acquisition.

At Company level

Reverse acquisition accounting applies only to the consolidated financial statements at the Group level. Therefore, in the Company's separate financial statements, the investment in the legal subsidiaries (the Atlantic Group) is accounted for at cost less accumulated impairment losses, if any, in the Company's balance sheet.

2. Summary of significant accounting policies

2.1 Basis of presentation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("USD" or "US\$") and all values are rounded to the nearest thousand (US\$'000), except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.1 Basis of presentation (cont'd)

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 will be similar to the impact on adoption of FRS 109, FRS 115 and FRS 116 as disclosed in Note 2.3.

Going concern uncertainty

The Group incurred a net loss of US\$13,156,000 (2016: net loss of US\$11,427,000) during the financial year ended 31 December 2017 and as at that date, the Group's current liabilities exceeded its current assets by US\$21,518,000 (2016: US\$39,713,000). The financial statements have been prepared on a going concern basis as the management is reasonably confident that the Group will be able to generate sufficient cash flows from its operations as well as secure funding to support its committed capital expenditure in the near term. The Group's actions after the balance sheet date are disclosed in Note 34 to the financial statements.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Improvements to FRSs (December 2016)	
- Amendments to FRS 28: <i>Investments in Associate and Joint Venture at fair value</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 111: <i>Joint Arrangements</i>	1 January 2019
- Amendments to FRS 12: <i>Income Taxes</i>	1 January 2019
- Amendments to FRS 23: <i>Borrowing Costs</i>	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not effective (cont'd)

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Group does not expect FRS 109 to have a significant impact based on existing accounting policies and practices.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information and has assessed that there will be no significant impact upon the adoption of FRS 115. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Foreign currency

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.6 *Property, vessels and equipment*

All items of property, vessels and equipment are initially recorded at cost. Subsequent to recognition, property, vessels and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Vessels	10 to 25 years
Dry docking	5 years
Machinery and equipment	3 to 5 years
Motor vehicles	3 to 5 years
Office equipment	3 to 5 years

Capital work-in-progress is not depreciated as it is not yet available for use.

The carrying values of property, vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Dry docking refers to major inspections and overhauls which are required at regular intervals of 5 years over the useful life of the vessels to allow the continued use of the vessels. When major inspection and overhaul is performed, its cost is recognised in the carrying amount of the vessels as a replacement if the following recognition criteria are met:

- (i) It is probable that future economic benefits associated with the asset will flow to the entity; and
- (ii) The cost of the asset to the entity can be measured reliably.

Any remaining carrying amount of the cost of the previous inspection is derecognised.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 *Intangible asset*

Intangible asset acquired separately is measured initially at cost. Following initial acquisition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life of intangible asset is assessed as indefinite.

Intangible asset with indefinite useful life are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Club membership

Club membership acquired is measured initially at cost less any accumulated impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2.10 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint operations

The Group recognises in relation to its interest in a joint operation,

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.10 *Joint arrangements (cont'd)*

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.11.

2.11 *Joint ventures and associate*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investment in associate and joint venture using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associate or joint venture are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture. The profit or loss reflects the share of results of the operations of the associate or joint venture. Distributions received from joint venture or associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate or joint venture are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases and sales

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.12 Financial Instruments (cont'd)

(b) Financial liabilities (cont'd)

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and bank overdrafts that form an integral part of the Group's cash management.

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 *Convertible loan instrument*

Convertible loan instrument are separated into liability and equity components based on terms of the contract.

On issuance of the convertible loan instrument, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption in accordance with the accounting policy set out in Note 2.12(b).

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible loan instrument based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.19 Employee benefits

(a) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees in accordance with the UAE labour law. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and re-measurement of the liability are recognised in profit or loss.

(b) Employees' end of service benefits

The Group makes provision for end of service benefits in accordance with the UAE Labour Law. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of entitlement.

(c) Employees share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

Vesting and non-vesting conditions

Vesting conditions are conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity under a share-based payment arrangement.

Vesting conditions are limited to two types:

- Service condition – a vesting condition that requires counterparty to complete a specified period of service which services are provided to the entity; and
- Performance condition – a vesting condition that requires
 - (a) the counterparty to complete a specified period of service (i.e. a service condition); the service requirement can be explicit or implicit and
 - (b) specified performance target(s) to be met while the counterparty is rendering the required.

Any condition that is neither a service condition nor a performance condition would be regarded as a non-vesting condition.

Non-vesting conditions are to be taken into account when estimating the fair value of the equity instruments granted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.20 Leases

(a) As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for operating lease income (time charter income) is set out in Note 2.21(a).

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Marine logistics services

Marine logistics services consist of services provided for time charter and voyage charter services.

(i) Time charter

Revenue arising from chartering of vessels is calculated on a time apportionment basis in accordance with the terms and conditions of the charter agreement. Charter income is deferred to the extent that conditions necessary for its realisation have yet to be fulfilled.

(ii) Voyage charter

Revenue arising from voyage charter is recognised upon the completion of the voyage.

(b) Ship repair, fabrication and other related marine services

Revenue from the provision of ship repair, fabrication and other marine related services are recognised by the stage of completion at the end of each reporting period. Stage of completion is determined by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

Proportionate consolidation of investment in joint operations

The Group formed two separate entities, Atlantic Venture Inc. ("AVI") and Bravo Trading & Shipping Co. Ltd. ("Bravo"), to acquire two vessels and provide charter services. These entities were formed with two separate groups of third party partners. The Group holds 51% and 15% equity interests in AVI and Bravo respectively. The Group has equal representation on each of the entities' board of directors and unanimous consent is required from both the Group and the respective third party partners for all major operational decisions. Both the Group and the third party partners, in accordance with their respective participating equity interests, would have the rights to the assets and obligations to the liabilities of AVI and Bravo. Based on these facts and circumstances, management concluded that the Group has joint control over AVI and Bravo and, therefore, recognised its share of each of the assets and the liabilities in respect of its interest in the respective joint operation in its financial statements.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Residual values and useful lives of vessels and machinery and equipment*

The Group reviews the residual values and useful lives of vessels and equipment at the end of each reporting period in accordance with the accounting policy stated in Note 2.6. The cost of the vessels and equipment is depreciated on a straight-line basis over the vessels and equipment's estimated useful lives. Management estimates the useful lives of the vessels to be within 10 to 25 years and equipment to be within 3 to 5 years.

Changes in the expected level of usage and technological developments could impact the economic useful lives of the vessels and equipment; therefore future depreciation charges could be revised. The carrying amount of the Group's vessels, machinery and equipment as at 31 December 2017 was US\$155,509,000 (2016: US\$102,523,000). A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 5.9% (2016: 5.4%) variance in the Group's loss before tax.

(b) *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Group performs an annual impairment test on the vessels due to the presence of impairment indicator as at year end. The impairment test is conducted by comparing the carrying amount of the vessels to their respective recoverable amount, which is the higher of its fair value less cost to sell and the value in use. For vessels which recoverable amounts were estimated based on fair value less costs to sell, the assessment requires the Group to engage external valuation expert to perform valuations of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Significant accounting estimates and judgments (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of non-financial assets (cont'd)

The valuations involve various underlying assumptions and techniques used by external valuation expert. For vessels which recoverable amounts were based on its value in use calculations, the Group performs cash flow projections over its remaining useful lives. This assessment requires management to use significant judgement over the assumptions and estimations for the projections. The carrying value of the Group's property, vessels and equipment at the end of the reporting period is disclosed in Note 11 to the financial statements.

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 19 to the financial statements.

(d) Valuation of convertible loan

On 4 January 2017, the Company entered into a second supplemental agreement ("Second Supplemental Agreement") to further amend, revise and vary the terms of the Loan Agreement (as amended by the First Supplemental Agreement on 8 February 2016). The maturity date of the Loan Agreement was extended from 31 December 2016 to 3 January 2019. In addition, the conversion price and interest rate were changed under the Second Supplemental Agreement. The Loan Agreement was extinguished upon the entering of the Second Supplemental Agreement and the Company is required to assess the fair value of Second Supplemental Agreement at its inception. This assessment requires the Company to engage external valuation expert to perform the valuation.

The valuation involves various underlying assumptions and techniques used by external valuation expert. The carrying value of the convertible loan instrument and the equity component of convertible loan instrument at the end of the reporting period is disclosed in Note 21 and Note 26 to the financial statements

4. Revenue

	Group	
	2017 US\$'000	2016 US\$'000
Marine logistics services:		
- Time charter	32,399	26,811
Ship repair, fabrication and other related marine services	1,475	2,995
	<u>33,874</u>	<u>29,806</u>

Revenue attributable to ship repair, fabrication and other related marine services for uncompleted projects as at the end of the reporting period does not have a significant impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. Finance income and costs

	Note	Group	
		2017 US\$'000	2016 US\$'000
<i>Finance income:</i>			
Interest income from bank balance		2	11
<i>Finance costs:</i>			
Interest expense on bank loans		4,521	1,788
Interest expense on loan from shareholder		374	24
Loss on extinguishment of convertible loan instrument	21	3,627	–
		<u>8,522</u>	<u>1,812</u>

6. Other income

	Note	Group	
		2017 US\$'000	2016 US\$'000
Insurance claim		–	74
Miscellaneous income		55	80
Net gain on disposal of property, vessels and equipment		–	57
		<u>55</u>	<u>211</u>

7. Other expenses

	Note	Group	
		2017 US\$'000	2016 US\$'000
Write-off of property, vessels and equipment	11	–	5,340
Net loss from sale of property, vessels and equipment		721	–
Net loss from disposal of vessels held for sale		9	–
Impairment loss on property, vessels and equipment	11	–	2,269
Impairment loss on investment in associate	14	–	544
Impairment loss on vessels held for sale	18	–	20
		<u>730</u>	<u>8,173</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. Loss before tax

The following items have been included in arriving at loss before tax:

	Note	Group	
		2017 US\$'000	2016 US\$'000
Audit fees paid to:			
- Auditors of the Company		62	60
- Other auditors		49	51
Non-audit fees paid to:			
- Auditors of the Company		3	20
Depreciation of property, vessels and equipment	11	7,317	6,170
Employee benefits*	27	11,172	10,692
Allowance for doubtful trade debts	19	1,285	1,303
Impairment of amount due from associate	19	-	101
Bad debts written off		-	11
Operating lease expense	29(b)	7,057	2,960
Inventories recognised as an expense in cost of services	17	251	315

* Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 27 and Note 28.

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017 \$'000	2016 \$'000
<i>Consolidated statement of comprehensive income:</i>		
Current income tax		
- Withholding tax	755	80
Income tax expense recognised in profit or loss	755	80

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. Income tax expense (cont'd)

Relationship between income tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Loss before tax	(12,401)	(11,347)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(677)	(150)
Adjustment:		
Non-deductible expenses	677	150
Withholding tax expense on foreign charter income	755	80
Income tax expense recognised in profit or loss	755	80

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Company is subject to tax at the applicable rate in accordance with the relevant tax laws and regulations in Singapore. The Company's subsidiaries are either incorporated in BVI or UAE (Note 13). The BVI incorporated subsidiaries are incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from payment of BVI income taxes. According to the relevant UAE laws, the UAE incorporated subsidiaries are not required to pay UAE income taxes.

10. Loss per share

Basic loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. Loss per share (cont'd)

The following tables reflect the profit and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2017 US\$'000	2016 US\$'000
Loss for the year attributable to owners of the Company used in the computation of basic and diluted loss per share	(13,156)	(11,427)
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic loss per share computation	260,594	260,594
Effects of dilution:		
- Share options	-	-
Weighted average number of ordinary shares outstanding for diluted loss per share computation	260,594	260,594
Basic loss per share (US\$ cents)	(5.05)	(4.38)
Diluted loss per share (US\$ cents)	(5.05)	(4.38)

4,800,000 (2016: 4,800,000) share options granted to employees under the existing Atlantic ESOS have not been included in the calculation of diluted loss per share because they are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Property, vessels and equipment

Group	Vessels US\$'000	Dry docking US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Office equipment US\$'000	Capital work-in- progress US\$'000	Total US\$'000
Cost:							
At 1 January 2016	114,894	1,819	401	272	194	14,412	131,992
Additions	13,361	423	–	–	–	56,151	69,935
Disposals	–	–	(191)	–	–	–	(191)
Reclassifications	4,020	–	–	–	–	(4,020)	–
Reclassifications from vessels held for sales	519	–	–	–	–	–	519
Write off	–	–	–	–	–	(5,340)	(5,340)
At 31 December 2016 and 1 January 2017	132,794	2,242	210	272	194	61,203	196,915
Additions	2,681	567	–	–	–	412	3,660
Disposals	(8,296)	–	–	–	–	–	(8,296)
Reclassifications	58,984	–	–	–	–	(58,984)	–
At 31 December 2017	186,163	2,809	210	272	194	2,631	192,279
Accumulated depreciation:							
At 1 January 2016	22,411	537	198	84	120	–	23,350
Depreciation for the year	5,649	374	76	42	29	–	6,170
Impairment loss	2,269	–	–	–	–	–	2,269
Disposals	–	–	(122)	–	–	–	(122)
At 31 December 2016 and 1 January 2017	30,329	911	152	126	149	–	31,667
Depreciation for the year	6,791	454	9	37	26	–	7,317
Disposals	(6,417)	–	–	–	–	–	(6,417)
At 31 December 2017	30,703	1,365	161	163	175	–	32,567
Net carrying amount:							
At 31 December 2016	102,465	1,331	58	146	45	61,203	165,248
At 31 December 2017	155,460	1,444	49	109	19	2,631	159,712

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Property, vessels and equipment (cont'd)

Capitalisation of borrowing costs

The Group's capital work-in-progress includes borrowing costs arising from bank loans and convertible loan borrowed specifically for the purpose of the construction of one vessel. During the financial year, the borrowing costs capitalised, including unwinding of interests, as cost of capital work-in-progress amounted to US\$1,335,000 (2016: US\$2,983,000). The average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.42% to 15.00% (2016: 4.20% to 8.00%), which is the effective interest rate of the specific borrowing.

Assets pledged as security

Vessels with a carrying value of US\$151,557,000 (2016: US\$144,067,000) were pledged to secure bank loans and convertible loan (Note 21).

Capital work-in-progress

Capital work-in-progress relates to vessels under construction. For the financial year ended 31 December 2016, the Group had written off the deposit placed for one of the vessel under construction, due to the Notice of Rescission served by the shipbuilder.

Impairment of assets

During the financial year ended 31 December 2016, in view of the low utilisation rate of and low margin generated from the Group's operating vessels as well as the current market environment in the oil and gas industry, a subsidiary of the Group, Atlantic Navigation Holdings Inc. carried out a review of the recoverable amount of its vessels. An impairment loss of \$2,269,000, representing the write-down of these vessels to the recoverable amount was recognised in "Other expenses" line item of profit or loss for the financial year ended 31 December 2016. The recoverable amount of the vessels was based on its value in use and the pre-tax discount rate used was 9.00% per annum.

12. Intangible asset

	Group and Company	
	2017 US\$'000	2016 US\$'000
Club membership	141	141

The club membership with lifetime tenure is assessed as having an indefinite useful life and not amortised.

13. Investment in subsidiaries

	Company	
	2017 US\$'000	2016 US\$'000
Unquoted equity shares, at cost	66,741	66,741

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2017 %	2016 %
Held by the Company:				
⁽²⁾ Atlantic Navigation Holdings Inc.	BVI	Investment holding	100	100
Held by Atlantic Navigation Holdings Inc.:				
⁽¹⁾ Atlantic Maritime Group FZE	UAE	Commercial and administrative manager of the Group's marine logistics services business and provider of ship repair, fabrication and other marine services	100	100
⁽²⁾ Atlantic Oceana Inc	BVI	Ship owner	100	100
⁽²⁾ Atlantic Offshore Services Inc	BVI	Ship owner	100	100
⁽²⁾ Bimar Offshore Inc	BVI	Ship owner	100	100
⁽²⁾ Atlantic Offshore Inc	BVI	Ship owner	100	100
⁽²⁾ Crossworld Marine Services Inc	BVI	Ship owner	100	100
⁽²⁾ Oasis Marine Inc	BVI	Ship owner	100	100
⁽²⁾ Pacific International Offshore Inc	BVI	Ship owner	100	100
⁽²⁾ Atlantic Navigation Limited	BVI	Ship owner	100	100
⁽²⁾ Lift-Offshore Inc	BVI	Ship owner	100	100
⁽²⁾ Atnav Holdings Inc. ⁽³⁾	BVI	Investment holding	100	—
Held by Atnav Holdings Inc.:				
⁽²⁾ ATNAV Nautical Inc. ⁽³⁾	BVI	Ship owner	100	—
⁽²⁾ ATNAV Maritime Inc. ⁽³⁾	BVI	Ship owner	100	—
⁽²⁾ ATNAV International Inc. ⁽³⁾	BVI	Ship owner	100	—
⁽²⁾ ATNAV Oceanic Inc. ⁽³⁾	BVI	Ship owner	100	—
⁽²⁾ ATNAV Marine Inc. ⁽³⁾	BVI	Ship owner	100	—
⁽²⁾ ATNAV Inc. ⁽³⁾	BVI	Ship owner	100	—
⁽²⁾ ATNAV Offshore Inc. ⁽³⁾	BVI	Ship owner	100	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2017 %	2016 %
Held by Atlantic Maritime Group FZE:				
⁽¹⁾ Atlantic Ship Management LLC	UAE	Ship management	49 #	49 #
⁽²⁾ Atlantic Maritime Ghana Private Limited	Ghana	Ship brokerage services (inactive)	90	90
⁽¹⁾ Audited by member firms of EY Global in the respective countries				
⁽²⁾ These entities are not required to be audited under the laws of the country of incorporation.				
⁽³⁾ Newly incorporated during the financial year ended 31 December 2017.				
# This represents the legal interests of the Group in Atlantic Ship Management LLC. Atlantic Ship Management LLC is considered a wholly-owned subsidiary of the Group as the Directors have assessed and concluded that the Group has full control over the financial and operating policies and activities of this entity.				

14. Investment in an associate

The Group's investment in an associate is summarised below:

	Group and Company	
	2017 US\$'000	2016 US\$'000
Astra Offshore Sdn. Bhd.	544	544
Impairment losses	(544)	(544)
	-	-

Name of Company	Principal place of business	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
⁽¹⁾ Astra Offshore Sdn. Bhd. ("Astra")	Malaysia	Provision of offshore marine services	40	40

⁽¹⁾ Audited by LT Ching & Associates, Malaysia.

The activities of the associate are strategic to the Group's activities. During the financial year ended 31 December 2016, the Group had fully impaired the investment and will not recognise losses relating to Astra. The Group's cumulative share of unrecognised losses at the end of the reporting period was US\$95,000 (2016: Nil). The Group has no obligation in respect of these losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. Investment in an associate (cont'd)

The summarised financial information in respect of Astra based on the Malaysia Private Entity Reporting Standards financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Astra	
	2017 US\$'000	2016 US\$'000
Current assets	2,370	2,427
Non-current assets	15	20
Total assets	2,385	2,447
Current liabilities	2,597	2,109
Non-current liabilities	–	313
Total liabilities	2,597	2,422
Net assets	(212)	25
Proportion of Group's ownership	40%	40%
Group's share of net assets	–	10
Goodwill on acquisition	–	400
Other adjustments	–	134
Carrying amount of the investment	–	544

Summarised statement of comprehensive income

	Astra	
	2017 US\$'000	2016 US\$'000
Revenue	–	3,620
(Loss)/profit after tax, representing total comprehensive income	(237)	5

Impairment testing of investment in an associate

During the financial year ended 31 December 2016, the Group carried out a review of the recoverable amount of its investment in the associate. The associate may not be able to recover its trade receivables and this may impact its ability to continue as a going concern. Accordingly, an impairment loss of US\$544,000 was recognised. The Group has no further commitments to the associate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Investment in a joint venture

The Group has 49% interest in the ownership and voting rights in a joint venture business (consortium) with one of the partner that is held through a subsidiary, Atlantic Ship Management LLC. The joint venture is a strategic business venture in the purchase and removal of decommissioned offshore/onshore facilities. The Group jointly controls the venture with the other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Summarised financial information in respect of the consortium based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group 2017 US\$'000
Current assets	5,184
Non-current assets	655
Total assets	<u>5,839</u>
Current liabilities	5,680
Non-current liabilities	–
Total liabilities	<u>5,680</u>
Net assets	<u>159</u>
Proportion of Group's ownership	<u>49%</u>
Group's share of net assets	<u>77</u>
Carrying amount of the investment	<u>77</u>

Summarised statement of comprehensive income

	Group 2017 US\$'000
Revenue	6,642
Operating expenses	(6,483)
Profit before tax, representing total comprehensive income	<u>159</u>
Proportion of Group's ownership	<u>49%</u>
Share of results of a joint venture	<u>77</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Investment in joint operations

The Group has 51% and 15% interest in the ownership and voting rights in two joint operations, Atlantic Ventures Inc (“AVI”) and Bravo Shipping and Trading Co. Ltd. (“Bravo”) respectively, that are held through a subsidiary, Atlantic Navigation Holdings Inc.

AVI is incorporated in the British Virgin Islands and Bravo is incorporated in Saint Vincent and the Grenadines. Both joint operations are strategic to the Group’s business. The Group jointly controls the joint operations with the respective third party partners under contractual agreements that require unanimous consent for all major operational and administrative decisions over the relevant activities.

Details of the joint operations as at 31 December 2017 are as follows:

Name of Company	Country of Incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
<i>Held by Atlantic Navigation Holdings Inc.</i>				
⁽¹⁾ Atlantic Ventures Inc.	BVI	Buying, owning, chartering and selling of vessels	51	51
⁽¹⁾ Bravo Shipping and Trading Co. Ltd.	Saint Vincent and the Grenadines	Buying, owning, chartering and selling of vessels	15	15

⁽¹⁾ These entities are not required to be audited under the laws of the country of incorporation.

The Group had recognised its share of revenue and expenses, and assets and liabilities in respect of its interest in the respective joint operations.

17. Inventories

	Group	
	2017 US\$'000	2016 US\$'000
<i>Balance sheet:</i>		
Fuel and other materials	215	281
<i>Consolidated statement of comprehensive income:</i>		
Inventories recognised as an expense in cost of services	251	315

During the financial years ended 31 December 2017 and 2016, there have been no inventory written off or allowance for inventory obsolescence.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. Vessels held for sale

	Group	
	2017 US\$'000	2016 US\$'000
At cost:		
At 1 January	180	719
Additions	500	–
Disposals	(680)	–
Reclassification to property, vessels and equipment	–	(519)
Impairment losses	–	(20)
At 31 December	–	180

During the financial year ended 31 December 2017, the Group had accepted one vessel transferred from its trade debtor to offset against the trade receivables due from the debtor. The Group had classified this vessel as held for sale in 2017. This vessel was disposed during the year.

In 2016, the transaction to dispose one of the vessels did not materialise and as the Group has no realistic expectation of sale within the near future, the vessel has been reclassified to property, vessels and equipment (Note 11).

19. Trade and other receivables

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Trade receivables	11,888	9,538	–	–
Sundry debtors	954	–	–	–
Deposits	367	287	–	–
Advances to staff	43	12	–	–
Advances to suppliers	121	102	–	–
Unbilled receivables	102	146	–	–
Retention receivable	1,809	206	–	–
Due from a joint operation (non-trade)	1,045	596	–	–
Due from a subsidiary (non-trade)	–	–	72,507	72,526
Total trade and other receivables	16,329	10,887	72,507	72,526
<i>Add:</i>				
- Cash and bank balances (Note 20)	697	1,536	163	197
- Bank deposits pledged (Note 20)	235	100	235	8
Total loans and receivables	17,261	12,523	72,905	72,731

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Arab Emirates Dirham	1,875	1,389
Saudi Arabian Riyal	1,356	774

Due from a joint operation (non-trade)

Amounts due from a joint operation are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Due from a subsidiary (non-trade)

Amounts due from a subsidiary are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Retention receivables

Retention receivables represent the retention of 10% of the invoice amounts from one of the debtors. The amount is repayable in cash to the Group upon tax clearance from the Saudi Arabian tax authorities generally within 12 months.

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$2,812,000 (2016: US\$7,158,000) that are past due at the end of the reporting period but not impaired. These trade receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Trade receivables past due:		
Lesser than 30 days	1,213	1,967
30 to 60 days	229	1,370
More than 60 days	1,370	3,821
	2,812	7,158

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's trade and other receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Collectively impaired	
	2017	2016
	US\$'000	US\$'000
Trade receivables - nominal amounts	2,780	2,700
Amount due from associate (non-trade) – nominal amounts	101	101
Less: Allowance for impairment of trade receivables	(2,498)	(1,303)
Allowance for impairment of amount due from associate	(101)	(101)
	282	1,397

Movement in the allowance accounts:

At 1 January	1,404	24
Charge for the year	1,285	1,404
Written off	(90)	(24)
Written back	–	–
At 31 December	2,599	1,404

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payment. These receivables are not secured by any collateral or credit enhancements.

Receivables subject to offsetting arrangements

The Group provides ship repair and other services to and charters vessels from various ship owners. There is no arrangement to settle the amount due to or from each other on a net basis but have the right to set off when mutually agreed between both parties.

The Group's trade receivables and trade payables that are off-set are as follows:

Description	31 December 2017		
	US\$'000		
	Gross carrying amounts	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Trade receivables	122	(122)	–
Trade payables	213	(122)	91

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. Trade and other receivables (cont'd)

Receivables subject to offsetting arrangements (cont'd)

Description	31 December 2016		
	US\$'000		
	Gross carrying amounts	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Trade receivables	683	(683)	–
Trade payables	992	(683)	309

20. Cash and bank balances

Bank deposits pledged

Description	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and bank balances	697	1,536	163	197
Bank deposits pledged	235	100	235	8
	932	1,636	398	205

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank deposits are pledged for the Group's loans and borrowings, and earn interest at the respective bank deposit rates. The weighted average effective interest rates as at 31 December 2017 for the Group and the Company were 0.93% (2016: 0.56%).

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

Description	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Arab Emirates Dirham	148	233	–	–
Singapore Dollars	26	48	26	48
	174	281	26	48

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

20. Cash and bank balances Bank deposits pledged (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2017 US\$'000	2016 US\$'000
Cash and bank balances	697	1,536
Bank overdrafts (Note 21)	(474)	(595)
Cash and cash equivalents	223	941

21. Loans and borrowings

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Current:				
Bank loan				
- USD loan at 1-month LIBOR + 4.00% pa ⁽¹⁾	6,340	7,672	6,340	7,672
- USD loan 1-month LIBOR + 4.00% pa ⁽²⁾	881	3,625	881	3,625
- USD revolving loan at 1-month LIBOR + 3.50% pa ⁽³⁾	1,246	6,900	1,246	6,900
- USD loan at 1-month LIBOR + 4.00% pa ⁽⁴⁾	344	700	344	700
- USD loan at LIBOR + 3.75% p.a. ⁽⁵⁾	857	857	-	-
- USD Loan at 3-month LIBOR + 3.75% p.a. ⁽⁶⁾	2,000	2,000	-	-
- USD revolving loan at 3-month LIBOR + 4.50% p.a. ⁽⁷⁾	5,000	-	-	-
- USD short term loan at 7% per annum ⁽⁸⁾	2,500	-	-	-
Bank overdrafts ⁽⁹⁾	474	595	-	-
Convertible loan instrument ⁽¹⁰⁾	-	13,000	-	13,000
	19,642	35,349	8,811	31,897

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Loans and borrowings (cont'd)

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Non-current:				
Bank loan				
-USD loan at 1-month LIBOR + 4.00% p.a. ⁽¹⁾	23,549	26,852	23,549	26,852
- USD loan 1-month LIBOR + 4.00% pa ⁽²⁾	3,273	1,812	3,273	1,812
- USD revolving loan at 1-month LIBOR + 3.50% p.a. ⁽³⁾	4,983	–	4,983	–
- USD loan at 1-month LIBOR + 4.00% p.a. ⁽⁴⁾	1,375	1,380	1,375	1,380
- USD loan at LIBOR + 3.75% p.a. ⁽⁵⁾	1,500	2,356	–	–
- USD Loan at 3-month LIBOR +3.75% p.a. ⁽⁶⁾	6,000	8,000	–	–
Convertible loan instrument ⁽¹⁰⁾	14,554	–	14,554	–
	55,234	40,400	47,734	30,044
Total loans and borrowings	74,876	75,749	56,545	61,941

⁽¹⁾ This facility was availed in January 2016 bearing interest at 3-month LIBOR + 3.50% per annum and was repayable over 5 years in 20 equal quarterly instalments with the last instalment due in April 2021. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extended the tenure from 20 quarterly instalments to 72 monthly instalments on the revised interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessel (Note 11)
- Assignment of earnings/charter proceeds, insurances and requisition compensation of mortgaged vessel
- Assignment of all rights, title and interests of mortgaged vessel's charters
- Bank deposits pledged in a retention account ^(a)
- The loan includes a financial covenants which requires the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintaining aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

⁽²⁾ This facility was availed in June 2014 on the interest at 3-month LIBOR + 3.50% per annum and is repayable over 4 years in 16 equal quarterly instalments with the last instalment due in June 2018. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extended the tenure from 16 quarterly instalments to 72 monthly instalments on the revised interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due on in March 2023.

- Mortgage over certain vessels (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessel's charters
- Bank deposits pledged in a retention account ^(a)
- The loan includes a financial covenants which requires the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

⁽³⁾ This facility is a revolving loan facility availed in August 2014 and repayable on demand. The effective interest rates for this facility had ranged from 3.98% to 4.08% per annum. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and amended the revolving facility to a monthly step down for a tenure of six years (72 monthly instalments) on the revised interest rate at 3.50% per annum above one (1) month USD LIBOR with last instalment due on in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessel (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessel
- Assignment of all rights, title and interests of mortgaged vessel's charters
- The loan includes a financial covenants which requires the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Loans and borrowings (cont'd)

⁽⁴⁾ This facility was availed in December 2015 on the interest at 3-month LIBOR + 3.50% per annum and is repayable over 4 years in 16 equal quarterly instalments with the last instalment due in December 2019. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extend the tenure from 20 quarterly instalments to 72 monthly instalments on the interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due on in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessel's charters
- Bank deposits pledged in a retention account ^(a)
- The loan includes a financial covenants which requires the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

⁽⁵⁾ This loan carried interest at LIBOR + 3.75% per annum and is repayable over 5 years in 20 equal quarterly instalments with the last instalment due in August 2020. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a director-related company
- Bank deposits pledged in a retention account
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million

^(a) In 2016, the Group did not fulfil certain financial covenant in respect of pledged deposit. The Group has obtained waiver from the bank for the breach with a validity period up to second quarter of 2017. As such, the non-current portion of US\$30,044,000 is not reclassified to current liabilities as at 31 December 2016.

Even though there are underlying physical assets or trading transactions with profit-sharing elements in these financing arrangements, to comply with Islamic financing requirements, the economic substance is largely comparable to that of conventional loan facilities.

Accordingly, the accounting treatment for these Islamic term financing arrangements will be the same as that of conventional loan financing arrangements. The sales proceeds and profit margins will be classified as principal of the loans outstanding and interest expenses accordingly, supported with appropriate explanatory disclosures.

⁽⁶⁾ This loan carried interest at 3-month LIBOR + 3.75% per annum and is repayable in 22 equal quarterly instalments commencing at the end of 3 months moratorium period from February 01, 2016 with the last instalment due in November 2021. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a director-related company
- Bank deposits pledged in a retention account
- Pledge over the shares of director-related company owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million

⁽⁷⁾ This facility is repayable on demand. The loan carried interest rates at this facility is 3-month LIBOR + 4.50% per annum. The securities provided for this loan comprise:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a director-related company
- Pledge over the shares of director-related company owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Loans and borrowings (cont'd)

- ⁽⁸⁾ This is a short term unsecured loan availed from a private establishment in February 2017, repayable on maturity on 19 May 2018. The short term loan carried interest rates at 7.00% per annum.
- ⁽⁹⁾ Bank overdrafts are denominated in AED, bear interest at 3-month EIBOR + 5% per annum. The facility is for the purpose of working capital requirement and is required to be settled twice a year. Non-compliance will result in financial penalty.
- ⁽¹⁰⁾ In 2016, the Company issued a convertible loan instrument at the principal sum of \$13,000,000. The instrument is convertible at the option of the holder into ordinary shares of the Company by 31 December 2016 at the price of \$0.31 per share. The instrument carried interests at 8% per annum.

During the financial year ended 31 December 2017, the Company entered into a second supplemental agreement to further amend, revise and vary the terms of the loan agreement. The maturity date of the loan agreement was extended from 31 December 2016 to 3 January 2019. In addition, the conversion price was changed from \$0.31 per share to \$0.20 per share and the interest rate were changed from 8% per annum to 5% per annum cash interest plus 10% payment-in-kind interest per annum.

Convertible loan instrument

The carrying amount of the liability component of the convertible loan instrument at the end of the reporting period is arrived at as follows:

	Group and Company	
	2017	2016
	US\$'000	US\$'000
Face value of convertible loan instrument	13,000	13,000
Equity component	(3,690)	(368)
Loss on extinguishment of convertible loan instrument	3,627	–
Liability component of convertible loan instrument at initial recognition	12,937	12,632
Add: Accumulated amortisation of discount	259	368
Add: Non-cash interest accruals	1,358	–
Liability component of convertible loan instrument at the end of the reporting period	14,554	13,000

In 2016, the holder did not convert the loan to ordinary shares at year end. On 4 January 2017, the Company entered into a second supplemental agreement (“Second Supplemental Agreement”) to further amend, revise and vary the terms of the Loan Agreement (as amended by the First Supplemental Agreement on 8 February 2016). The maturity date of the Loan Agreement was extended from 31 December 2016 to 3 January 2019. In addition, the conversion price and interest rate were changed under the Second Supplemental Agreement. The Loan Agreement was extinguished upon the entering of the Second Supplemental Agreement and the Second Supplemental Agreement is recorded initially at fair value.

The fair value of the Second Supplemental Agreement is estimated at its inception using a trinomial option pricing model, taking into account the terms and conditions upon which the Second Supplemental Agreement was entered.

The following table lists the inputs to the option pricing model for the year ended 31 December 2017:

	Group and Company 2017
Dividend yield (%)	Nil
Annualised volatility (%)	113.00
Risk-free interest rate (% p.a.)	1.65
Market interest rate (% p.a.)	15.00
Weighted average share price (US\$)	0.10

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	2016 US\$'000	Cash flows US\$'000	Non-cash changes		2017 US\$'000
			Convertible loan instrument non- cash items US\$'000	Other US\$'000	
Bank loans					
- Current	21,754	(2,306)	–	(280)	19,168
- Non-current	40,400	–	–	280	40,680
Convertible loan instrument	13,000	–	1,554	–	14,554
Loan from shareholder (Note 23)	2,300	5,032	–	–	7,332
Total	77,454	2,726	1,554	–	81,734

The “other” column relates to reclassification of non-current portion of loans and borrowings due to passage of time and rescheduling of payment terms.

22. Provisions

	Group	
	2017 US\$'000	2016 US\$'000
Employees' end of service benefits		
At 1 January	519	438
Provision made	77	137
Provision utilised	(26)	(56)
At 31 December	570	519

The Group makes provision for employees' end of service benefits (“EOSB”) in order to meet the minimum benefits required to be paid to qualified employees, as required under the Federal Law No. 8 of 1980 Regulating Labour Relations (the “Labour Law”) of the UAE. The EOSB for the qualified employees is calculated as follows:

- 21 days salary for each of the first five years using last drawn salary; and
- 30 days salary for each additional year using last drawn salary, provided that total EOSB amount should not exceed 2 years of salaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. Trade and other payables

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Trade and other payables (current)				
Trade payables	8,275	7,148	–	–
Other payables	3,887	3,106	129	19
Due to director-related companies (trade)	2,402	2,133	–	–
Due to directors (non-trade)	108	95	108	95
Loan from shareholder	–	2,300	–	2,300
	14,672	14,782	237	2,414
Other payables (non-current)				
Loan from shareholder	7,332	–	7,332	–
Total trade and other payables	22,004	14,782	7,569	2,414
<i>Add:</i>				
- Accrued operating expenses (Note 24)	5,197	3,394	1,434	730
- Loans and borrowings (Note 21)	74,876	75,749	56,545	61,941
Total financial liabilities carried at amortised cost	102,077	93,925	65,548	65,085

Trade payables/other payables

These amounts are non-interest bearing. Trade and other payables are normally settled on 30 to 60 days' terms.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Arab Emirates Dirham	2,772	2,931
Saudi Riyal	817	–
Qatari Riyal	80	–
Euro	62	–

Due to director-related companies (trade)/due to directors (non-trade)

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Loan from shareholder

Loan from shareholder is unsecured, interest-bearing at interest rate of 6.00% per annum, and is to be settled in cash. The amount is not expected to be repaid within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. Other liabilities

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Accrued operating expenses	5,197	3,394	1,434	730
Advances from customers	286	15	–	–
	<u>5,483</u>	<u>3,409</u>	<u>1,434</u>	<u>730</u>

25. Share capital

	Group		Company	
	No. of shares (‘000) ⁽¹⁾	US\$'000	No. of shares (‘000) ⁽¹⁾	US\$'000
Issued and fully paid ordinary shares:				
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	<u>260,594</u>	<u>12,370 ⁽²⁾</u>	<u>260,594</u>	<u>85,534</u>

⁽¹⁾ The equity structure (i.e. the number and types of equity instruments issued) reflect the equity structure of the Company, being the legal parent, including the equity instruments issued by the Company to effect the reverse acquisition.

⁽²⁾ The amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of Atlantic Navigation Holdings Inc. and its subsidiaries immediately before the reverse acquisition the costs of the reverse acquisition.

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 restriction. The ordinary shares have no par value.

The Company has employee share option plans under which options to subscribe for the Company's ordinary shares have been granted to certain employees of the Group and directors of the Company.

26. Other reserves

	Note	Group		Company	
		2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Merger reserve	(a)	259	259	–	–
Employee share option reserve	(b)	373	368	373	368
Equity component of convertible loan instrument	(c)	4,058	368	4,058	368
		<u>4,690</u>	<u>995</u>	<u>4,431</u>	<u>736</u>

(a) Merger reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. Other reserves (cont'd)

(b) *Employee share option reserve*

Employee share option reserve represents the equity-settled share options granted to employees (Note 27). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(c) *Equity component of convertible loan instrument*

This represents the residual amount of convertible loan instrument after deducting the fair value of the liability component. This amount is presented net of transaction costs arising from the convertible loan instrument.

27. Employee benefits

	Note	Group	
		2017 US\$'000	2016 US\$'000
Wages, salaries and bonuses		11,090	10,527
Share-based payments (Employee share option plans)		5	28
Employees' end of service benefits	22	77	137
		<u>11,172</u>	<u>10,692</u>

Employee share option plans

Atlantic Employee Share Option Scheme ("Atlantic 2008 ESOS")

Under Atlantic 2008 ESOS, 4,050,000 share options were granted to certain employees of the Group and directors of the Company. 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. There are no cash settlement alternatives. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

Atlantic 2015 Employee Share Option Scheme ("Atlantic 2015 ESOS")

Under the Atlantic 2015 ESOS, 750,000 share options were granted to a director of the Company. 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. There are no cash settlement alternatives. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. Employee benefits (cont'd)

Employee share option plans (cont'd)

Movement of share options during the financial year

The following table illustrates the number (No.) and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2017		2016	
	No.	WAEP	No.	WAEP
Outstanding at 1 January and 31 December	4,800,000	S\$0.35	4,800,000	S\$0.35
Exercisable at 31 December	4,800,000	S\$0.35	4,425,000	S\$0.35

- The weighted average fair value of options granted during the financial year was S\$0.10 (2016: S\$0.10).
- The range of exercise price for options outstanding at the end of the year was S\$0.34 to S\$0.43 (2016: S\$0.34 to S\$0.43). The weighted average remaining contractual life for these options is 1.28 years (2016: 2.72 years).

Fair value of share options granted

The fair value of the share options granted under the Atlantic 2008 ESOS and Atlantic 2015 ESOS are estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs to the option pricing models for the year ended 31 December 2017 and 2016:

	Atlantic 2008 ESOS		Atlantic 2015 ESOS	
	Tranche 1 ⁽¹⁾	Tranche 2 ⁽²⁾	Tranche 1 ⁽¹⁾	Tranche 2 ⁽²⁾
Dividend yield (%)	1.50	1.50	2.00	2.00
Expected volatility (%)	44.67	43.69	48.83	48.83
Risk-free interest rate (% p.a.)	0.87	1.05	0.14	0.14
Expected life of an option (years)	3.00	3.50	2.85	3.11
Weighted average share price (\$\$)	0.34	0.34	0.43	0.43

Atlantic 2008 ESOS

- ⁽¹⁾ Tranche 1 refers to 2,025,000 share options granted to certain employees of the Group and directors of the Company on 30 January 2014, which are exercisable between 30 January 2015 and 29 January 2019.
- ⁽²⁾ Tranche 2 refers to 2,025,000 share options granted to certain employees of the Group and directors of the Company on 30 January 2014, which are exercisable between 30 January 2016 and 29 January 2019.

Atlantic 2015 ESOS

- ⁽¹⁾ Tranche 1 refers to 375,000 share options granted to a director of the Company on 12 May 2015, which are exercisable between 12 May 2016 and 11 May 2020.
- ⁽²⁾ Tranche 2 refers to 375,000 share options granted to a director of the Company on 12 May 2015, which are exercisable between 12 May 2017 and 11 May 2020.

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2017 US\$'000	2016 US\$'000
Management fees to director-related companies	65	65
(b) <i>Compensation of key management personnel</i>		
Short-term employee benefits	1,111	1,148
Others	420	432
	<u>1,531</u>	<u>1,580</u>
<i>Comprises amounts paid to:</i>		
Directors of the Company	895	926
Other key management personnel	636	654
	<u>1,531</u>	<u>1,580</u>

Key management personnel's interests in employee share option plan

During the financial year, no share options were exercised by the directors and key management personnel of the Group during the financial year.

At the end of the reporting period, options to purchase 3,030,000 shares (2016: 3,030,000 shares) of the Company by key management personnel were outstanding.

(c) *Commitments with related parties*

On 1 January 2011, Atlantic Maritime Group FZE entered into agreements with Atlantic Offshore Services LLC and Atlantic Marine Services LLC for administrative and ship management services provided by the above two director-related companies in return for management fees that amounted to US\$65,000 in 2015. The agreements remain in effect until terminated by notice.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Capital commitments in respect of property, vessels and equipment	39,900	42,180

(b) Operating lease commitments – as lessee

The Group entered into non-cancellable lease agreements as lessee for vessels and operating premises. These leases have different terms and terminate at various dates. Specific clauses like rental escalation and renewal rights can be found in some of these lease agreements.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to US\$7,057,000 (2016: US\$2,960,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Not later than one year	8,480	6,982
Later than one year but not later than five years	34,952	36,500
Later than five years	–	6,880
	<u>43,432</u>	<u>50,362</u>

(c) Operating lease commitments – as lessor

Operating lease commitments relates to vessels. These non-cancellable leases have different terms and terminate at various dates. There was no contingent rent component included under the above non-cancellable leases relating to lease out arrangements for vessels owned by the Group as at the end of the reporting period.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Not later than one year	51,455	23,225
Later than one year but not later than five years	169,133	172,497
Later than five years	13,022	44,400
	<u>233,610</u>	<u>240,122</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Contingent liabilities

The Group had been working on the cancellation of, and had on, 8 March 2017, received a Notice of Rescission from the ship builder, for a ship building contract of a self-propelled self-elevating lift boat committed under a shipbuilding agreement entered in the financial year ended 2014 which was expected to be delivered in first half of the financial year ended 2017. As at 31 December 2016, the Group had written off US\$5.34 million relating to deposit and capitalisation of interest cost.

Based on the Notice of Rescission, the Group continues to be liable for the deficiency if the shipbuilder incurs a loss on the sale of the vessel to another party. Such amounts, if it were to materialise, cannot be reliably quantified at this juncture. Accordingly, no provision has been made in the financial statements.

31. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Director. The audit committee provides independent oversight on the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables is as follows:

	2017		2016	
	US\$'000	% of total	US\$'000	% of total
By country:				
United Arab Emirates	5,162	43	5,983	63
South Korea	–	–	19	–*
Other GCC countries	6,021	51	914	10
India	–	–	1,000	10
Singapore	378	3	764	8
China	327	3	–	–
Other countries	–	–	858	9
	<u>11,888</u>	<u>100</u>	<u>9,538</u>	<u>100</u>

* Less than 1%

At the end of the reporting period, approximately 82% (2016: 66%) of the Group's trade receivables were due from 5 major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. At the end of the reporting period, approximately 26% (2016: 47%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Note	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
Group					
2017					
Financial assets					
Trade and other receivables	19	16,329	–	–	16,329
Cash and bank balances	20	697	–	–	697
Bank deposits pledged	20	235	–	–	235
Total undiscounted financial assets		17,261	–	–	17,261
Financial liabilities					
Trade and other payables		14,672	7,778	–	22,450
Accrued operating expenses	24	5,197	–	–	5,197
Loans and borrowings		20,885	63,364	4,351	88,600
Total undiscounted financial liabilities		40,754	71,142	4,351	116,247
Total net undiscounted financial liabilities		23,493	71,142	4,351	98,986

	Note	One year or less US\$'000	One to five years US\$'000	Total US\$'000
Group				
2016				
Financial assets				
Trade and other receivables	19	10,887	–	10,887
Cash and bank balances	20	1,536	–	1,536
Bank deposits pledged	20	100	–	100
Total undiscounted financial assets		12,523	–	12,523
Financial liabilities				
Trade and other payables	23	14,782	–	14,782
Accrued operating expenses	24	3,394	–	3,394
Loans and borrowings		37,272	47,461	84,733
Total undiscounted financial liabilities		55,448	47,461	102,909
Total net undiscounted financial liabilities		42,925	47,461	90,386

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	Note	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
Company					
2017					
Financial assets					
Trade and other receivables	19	72,507	–	–	72,507
Cash and bank balances	20	163	–	–	163
Bank deposits pledged	20	235	–	–	235
Total undiscounted financial assets		72,905	–	–	72,905
Financial liabilities					
Trade and other payables		237	7,778	–	8,015
Accrued operating expenses	24	1,434	–	–	1,434
Loans and borrowings		9,964	54,411	4,351	68,726
Total undiscounted financial liabilities		11,635	62,189	4,351	78,175
Total net undiscounted financial assets/(liabilities)		61,270	(62,189)	(4,351)	(5,270)
	Note	One year or less US\$'000	One to five years US\$'000	Total US\$'000	
Company					
2016					
Financial assets					
Trade and other receivables	19	72,526	–	–	72,526
Cash and bank balances	20	197	–	–	197
Bank deposits pledged	20	8	–	–	8
Total undiscounted financial assets		72,731	–	–	72,731
Financial liabilities					
Trade and other payables	23	2,414	–	–	2,414
Accrued operating expenses	24	730	–	–	730
Loans and borrowings		33,788	35,036	–	68,824
Total undiscounted financial liabilities		36,932	35,036	–	71,968
Total net undiscounted financial assets/(liabilities)		35,799	(35,036)	–	763

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, which are all at floating rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if LIBOR interest rates had been 50 (2016: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax (2016: loss before tax) would have been US\$287,000 lower/higher (2016: US\$379,000 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

32. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

The Group is in compliance with the capital requirements imposed by the bankers in respect of the banking facilities granted for the financial years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and bank balances. Capital refers to equity attributable to owners of the Company.

	Note	Group	
		2017 US\$'000	2016 US\$'000
Trade and other payables	23	22,004	14,782
Other liabilities	24	5,483	3,409
Loans and borrowings	21	74,876	75,749
Less: Cash and bank balances	20	(932)	(1,636)
Net debt		101,431	92,304
Equity attributable to owners of the Company		75,595	85,056
Capital and net debt		177,026	177,360
Gearing ratio		57%	52%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Segment information

For management purposes, the Group is organised into business units based on services provided, and has two reportable operating segments as follows:

Marine logistics services

The marine logistics services segment provides vessel chartering and chandlery services to external customers.

Ship repair, fabrication and other marine services

The ship repair, fabrication and other marine services segment provides repairs and maintenance of marine equipment, engines, heavy machines and related marine services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are not allocated to operating segments.

The chief operating decision maker reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Segment information (cont'd)

	Marine logistics services		Ship repair, fabrication and other marine services		Adjustments/ Eliminations		Note	Per consolidated financial statements	
	2017	2016	2017	2016	2017	2016		2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000
Revenue									
External customers	32,399	26,811	1,475	2,995	–	–		33,874	29,806
Results:									
Segment gross profit	2,274	3,311	997	1,973	–	–		3,271	5,284
Finance income	–	4	–	–	2	7	A	2	11
Other income	55	184	–	27	–	–		55	211
Share of results of an associate	–	–	–	–	–	2	B	–	2
Share of results of a joint venture	–	–	–	–	77	–	B	77	–
Marketing and distribution expenses	(236)	(138)	–	–	–	–		(236)	(138)
Administrative expenses	(4,929)	(5,679)	(1,031)	(709)	(358)	(344)	C	(6,318)	(6,732)
Other expenses	(730)	(7,629)	–	–	–	(544)	D	(730)	(8,173)
Finance costs	(8,522)	(1,812)	–	–	–	–		(8,522)	(1,812)
Segment loss before tax	(12,088)	(11,759)	(34)	1,291	(279)	(879)	E	(12,401)	(11,347)
Income tax expense	(755)	(80)	–	–	–	–		(755)	(80)
Loss for the year	(12,843)	(11,839)	(34)	1,291	(279)	(879)		(13,156)	(11,427)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A The adjustment pertains to unallocated interest income.

B The adjustment pertains to share of results of an associate and a joint venture held by the Company and Group respectively.

C The adjustment pertains to unallocated corporate expenses.

D The adjustment pertains to impairment loss on investment in associate held by the Company.

E The following items are deducted from segment loss to arrive at "loss before tax" presented in the consolidated statement of comprehensive income:

	Note	Group	
		2017 US\$'000	2016 US\$'000
Unallocated corporate expenses		(281)	(886)
Unallocated interest income		2	7
		(279)	(879)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Segment information (cont'd)

Geographical information

Revenue information based on the geographical location of customers and assets respectively are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
United Arab Emirates	12,126	21,029
South Korea	43	2,312
Singapore	702	933
Other GCC countries	20,684	2,901
China	77	–
Others	242	2,631
	<u>33,874</u>	<u>29,806</u>

Other GCC countries include Kingdom of Saudi Arabia, Sultanate of Oman, Kingdom of Bahrain and Qatar.

The Group's non-current assets are located in the UAE.

Information about major customers

Revenue from two major customers amounted to approximately US\$22,342,000 (2016: US\$10,330,000), from the vessel chartering segment. Revenue from two major customers amounted to approximately US\$895,000 (2016: US\$2,705,000), from sales by the ship repair, fabrication and other marine services segment.

34. Events occurring after the reporting period

- (i) On 28 March 2018, the Group entered into a loan agreement with a third party Saudi Arabian representative ("SA REP") pursuant to which SA REP extended a loan of US\$8.5 million with interest rate of 10% per annum to the Group. The loan would be applied towards the cash portion of the purchase price of the Group's new vessel deliveries. The principal and interest amounts are repayable over 5 years, starting on the date the Group receives the amount of the loan. The Group has received the full amount of the loan.
- (ii) On 28 March 2018, the Group entered into a loan agreement with one of its principal bankers pursuant to which the bank extended a term loan of US\$29.8 million at 3 months LIBOR + 4.5% interest rate to the Group. The loan would be applied towards the cash portion of the purchase price of the Group's new vessel deliveries. The principal amount is to be fully repaid in 28 equal quarterly instalments over a period of 7 years. Interest is repayable every 3 months after the date of receipt of the loan by the Group.
- (iii) The Group is currently working with potential lender to support its short-term working capital cash flows as well as funding to support its committed capital expenditure. The Group expects finalisation of the funding arrangements in the near future.

35. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 11 June 2018.

STATISTICS OF SHAREHOLDINGS

As at 23 May 2018

Total number of shares	:	260,593,750
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AS AT 23 MAY 2018

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	87	29.00	50,677	0.02
1,001 - 10,000	80	26.67	338,599	0.13
10,001 - 1,000,000	124	41.33	18,318,100	7.03
1,000,001 and above	9	3.00	241,886,374	92.82
Total	300	100.00	260,593,750	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 23 MAY 2018

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Wong Siew Cheong	173,099,000	66.42	33,375,000 ⁽¹⁾	12.81
Chong Mee Chin	33,375,000	12.81	—	—

Note:

(1) Mr Wong Siew Cheong is deemed to be interested in the shareholdings of his spouse, Madam Chong Mee Chin.

STATISTICS OF SHAREHOLDINGS

As at 23 May 2018

TWENTY LARGEST SHAREHOLDERS AS AT 23 MAY 2018

No.	Name of Shareholders	Number of Shares	%
1.	WONG SIEW CHEONG	173,099,000	66.42
2.	CHONG MEE CHIN	33,375,000	12.81
3.	UOB KAY HIAN PRIVATE LIMITED	10,974,000	4.21
4.	WONG SIEW CHONG	10,000,000	3.84
5.	MOHAMMAD REZA SADEGHI	6,750,000	2.59
6.	THONG KWOK KHEONG	3,300,000	1.27
7.	WONG SEK PUN	1,699,000	0.65
8.	SOH SAI KIANG	1,484,374	0.57
9.	YAO HSIAO TUNG	1,205,000	0.46
10.	DB NOMINEES (SINGAPORE) PTE LTD	815,000	0.31
11.	TAN AH LYE	815,000	0.31
12.	TAL CAPITAL PTE LTD	785,000	0.30
13.	TAN BAN SER	785,000	0.30
14.	YAP HOON HONG	784,000	0.30
15.	CHONG SER PHENG	780,000	0.30
16.	ANG HOCK CHWEI	758,000	0.29
17.	CHAI HWEE HOON DOREEN	734,000	0.28
18.	NEO KOK CHING	634,000	0.24
19.	DBS NOMINEES (PRIVATE) LIMITED	551,400	0.21
20.	OCBC SECURITIES PRIVATE LIMITED	534,700	0.21
	TOTAL	249,862,474	95.87

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 23 May 2018, approximately 16.93% of total issued shares (excluding treasury shares and subsidiary holdings) of the Company are held in the hands of the public (based on information available to the Company). Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Atlantic Navigation Holdings (Singapore) Limited (the “Company”) will be held at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 on Friday, 29 June 2018 at 2:30 p.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Wong Chee Meng, Lawrence as a Director of the Company, who is retiring in accordance with Article 88 of the Company’s Constitution.
[See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Mr Tong Choo Cherng as a Director of the Company, who is retiring by rotation in accordance with Article 89 of the Company’s Constitution.
[See Explanatory Note (ii)] **(Resolution 3)**
4. To re-elect Mr Andrew Lyndon Waite as a Director of the Company, who is retiring by rotation in accordance with Article 89 of the Company’s Constitution.
[See Explanatory Note (iii)] **(Resolution 4)**
5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without amendments as ordinary resolutions:-

7. To approve the payment of Directors’ fees of S\$138,900 for the year ended 31 December 2017. (2016: S\$144,000) **(Resolution 6)**
8. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “Act”) and Rule 806 of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual - Section B: Rules of Catalyst (the “Catalist Rules”)**

“THAT pursuant to Section 161 of the Act and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:-

- I (i) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that may or would require shares to be issued, including but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures, convertible securities or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- II (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided always that:-

- (a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution), shall not exceed 100% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below);
- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of the total issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:-
- (i) new shares arising from the conversion or exercise of any convertible securities;
- (ii) (where applicable) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalyst Rules; and
- (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalyst Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Constitution for the time being of the Company;
- (d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (iv)]

(Resolution 7)

9. **Renewal of Share Purchase Mandate**

“THAT for the purposes of Sections 76C and 76E of the Act, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date this Resolution is passed) at the price of up to but not exceeding the Maximum Price as defined in the appendix to this Notice of the Annual General Meeting dated 13 June 2018 (the “**Appendix**”), in accordance with the terms of the Share Purchase Mandate set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until (i) the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held; or (ii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by shareholders of the Company in a general meeting; or (iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated, whichever is earlier.”

[See Explanatory Note (v)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

10. Authority to issue shares under the Atlantic 2015 Employees Share Option Scheme

“THAT pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Atlantic 2015 Employees Share Option Scheme (the “**Atlantic 2015 ESOS**”), whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic 2015 ESOS, Atlantic 2015 PSP (as defined herein) and Atlantic 2015 RSP (as defined herein) shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (vi)]

(Resolution 9)

11. Authority to issue shares under the Atlantic 2015 Performance Share Plan

“THAT pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Atlantic 2015 Performance Share Plan (the “**Atlantic 2015 PSP**”), whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic 2015 PSP, Atlantic 2015 ESOS and Atlantic 2015 RSP (as defined herein) shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (vii)]

(Resolution 10)

12. Authority to issue shares under the Atlantic 2015 Restricted Share Plan

“THAT pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Atlantic 2015 Restricted Share Plan (the “**Atlantic 2015 RSP**”), whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic 2015 RSP, Atlantic 2015 ESOS and Atlantic 2015 PSP shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (viii)]

(Resolution 11)

BY ORDER OF THE BOARD

CHEW KOK LIANG
ELIZABETH KRISHNAN
Company Secretaries

Singapore, 13 June 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

- (i) Mr Wong Chee Meng, Lawrence, if re-elected as a Director of the Company, will remain as the Lead Independent Director, the Chairman of the Nominating Committee, a member of the Audit Committee and the Remuneration Committee and will be considered independent for the purpose of Rule 704(7) of the Catalyst Rules.
- (ii) Mr Tong Choo Cherng, if re-elected as a Director of the Company, will remain as an Executive Director (Finance) of the Company and will be considered non-independent.
- (iii) Mr Andrew Lyndon Waite, if re-elected as a Director of the Company, will remain as a Non-Executive Director of the Company and will be considered non-independent.
- (iv) The ordinary resolution 7 set out in item 8 above, if passed, will empower the Directors of the Company from the date this resolution is passed until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company.
- (v) The ordinary resolution 8 set out in item 9 above, if passed, will empower the Directors of the Company from the date this resolution is passed until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company up to the Maximum Price as defined in the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 December 2017 are set out in more detail in the Appendix.
- (vi) The ordinary resolution 9 set out in item 10 above, if passed, will empower the Directors of the Company, from the date this resolution is passed until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Atlantic 2015 ESOS provided that the aggregate additional shares to be issued pursuant to the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP do not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (vii) The ordinary resolution 10 set out in item 11 above, if passed, will empower the Directors of the Company, from the date this resolution is passed until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Atlantic 2015 PSP provided that the aggregate additional shares to be issued pursuant to the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP do not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (viii) The ordinary resolution 11 set out in item 12 above, if passed, will empower the Directors of the Company, from the date this resolution is passed until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Atlantic 2015 RSP provided that the aggregate additional shares to be issued pursuant to the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP do not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. A member (other than a Relevant Intermediary^{1*}) entitled to attend and vote at meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies, failing which the nomination shall be alternative.
2. A member, who is a Relevant Intermediary entitled to attend the meeting and vote, is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.
3. If a proxy is to be appointed, the instrument appointing the proxy must be deposited at Atlantic Navigation Holdings (Singapore) Limited, c/o RHT Corporate Advisory Pte. Ltd., 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.
4. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
5. If the member is a corporation, the instrument appointing the proxy must be under its common seal or under the hand of an officer or attorney duly authorised in writing.
6. In the case of joint shareholders, all holders must sign the form of proxy.

PERSONAL DATA PRIVACY

“Personal data” in this Notice of Annual General Meeting has the same meaning as “personal data” in the Personal Data Protection Act 2012 (“PDPA”), which includes a member’s name and his/her proxy’s and/or representative’s name, address and NRIC/Passport number. Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”); (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty. A member’s personal data and his/her proxy’s and/or representative’s personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company’s verification and record purposes.

This notice has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“Sponsor”), SAC Capital Private Limited, 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 notice.

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

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

1 * A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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ATLANTIC NAVIGATION HOLDINGS (SINGAPORE) LIMITED

(Company Registration No. 200411055E)
(Incorporated In the Republic of Singapore)

PROXY FORM ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of Atlantic Navigation Holdings (Singapore) Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company (the "Meeting") to be held at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 on Friday, 29 June 2018 at 2:30 p.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her discretion.

(If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
Ordinary Business			
1	Adoption of the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017 together with the Auditors' Report thereon		
2	Re-election of Mr Wong Chee Meng, Lawrence as a Director of the Company		
3	Re-election of Mr Tong Choo Cherng as a Director of the Company		
4	Re-election of Mr Andrew Lyndon Waite as a Director of the Company		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company		
Special Business			
6	Approval of Directors' fees amounting to S\$138,900 for the financial year ended 31 December 2017 (2016: S\$144,000)		
7	Authority to issue and allot new shares		
8	Renewal of Share Purchase Mandate		
9	Authority to issue shares under the Atlantic 2015 Employees Share Option Scheme		
10	Authority to issue shares under the Atlantic 2015 Performance Share Plan		
11	Authority to issue shares under the Atlantic 2015 Restricted Share Plan		

Dated this _____ day of _____ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable



Notes:

1. A member should insert the total number of ordinary shares held by him/her. If the member has ordinary shares entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she should insert that number. If the member has ordinary shares registered in his/her name in the Register of Members, he/she should insert that number. If the member has ordinary shares entered against his/her name in the Depository Register and ordinary shares registered in his/her name in the Register of Members, he/she should insert the aggregate number. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the ordinary shares held by the member.
2. A member of the Company (other than a Relevant Intermediary¹) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary) appoints two (2) proxies, the member shall specify the proportion of his/her shares to be represented by each proxy, failing which the nomination shall be alternative.
4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at Atlantic Navigation Holdings (Singapore) Limited, c/o RHT Corporate Advisory Pte. Ltd., 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investor**”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 June 2018.

1 ^{*} A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wong Siew Cheong
Executive Chairman and CEO

Tong Choo Cherng
Executive Director (Finance)

Wong Chee Meng, Lawrence
Lead Independent Director

Goh Boon Chye
Independent Director

Eu Lee Koon
Independent Director

Andrew Lyndon Waite
Non-Executive Non-Independent Director

Jeffrey William Even
Alternate Director to Andrew Lyndon Waite

COMPANY SECRETARIES

Chew Kok Liang
Elizabeth Krishnan

REGISTERED OFFICE

6 Battery Road #10-01
Singapore 049909
Tel: +65 6381 6868
Fax +65 6381 6869

BUSINESS OFFICES

Atlantic Maritime Group FZE
P.O Box 6653
Sharjah
United Arab Emirates
Tel: +971 6 5263577
Fax: +971 6 5260292

Astra Offshore Sdn. Bhd.

(Associate Company)
Kuala Lumpur Office
A2-3A, Block A, Plaza Damas 3
Jalan Sri Hartamas 1, Taman Sri Hartamas
50480 Kuala Lumpur, Malaysia
Tel: +603 6211 4488
Fax: +603 6211 4489

Atlantic Ship Management LLC

P.O. Box 37288 Abu Dhabi
Unit 205, Al Salam Street
Al Salam HQ Building
Abu Dhabi
United Arab Emirates
Tel: +971 2 4453838
Fax: +971 2 4453837

AUDIT COMMITTEE

Goh Boon Chye (Chairman)
Wong Chee Meng, Lawrence
Eu Lee Koon

NOMINATING COMMITTEE

Wong Chee Meng, Lawrence (Chairman)
Goh Boon Chye
Eu Lee Koon
Wong Siew Cheong

REMUNERATION COMMITTEE

Eu Lee Koon (Chairman)
Wong Chee Meng, Lawrence
Goh Boon Chye

ATLANTIC EMPLOYEE NEW SHARE SCHEME COMMITTEE

Eu Lee Koon (Chairman)
Wong Siew Cheong
Tong Choo Cherng

KEY EXECUTIVES

Mohammad Reza Sadeghi
Chief Operating Officer

Wong Sek Pun
Commercial Director (MLS Division)

Zamirul Hassan Bayezid
Group Finance Manager

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-Charge: Shekaran Krishnan
(Date of appointment: Since financial year ended 31 December 2013)

PRINCIPAL BANKERS

Malayan Banking Berhad
National Bank Of Fujairah
United Overseas Bank Limited

SPONSOR

SAC Capital Private Limited
1 Robinson Road, #21-02 AIA Tower
Singapore 048542



**Atlantic Navigation
Holdings (Singapore) Limited**

**Atlantic Navigation
Holdings (Singapore) Limited**

Unique Entity Number (UEN): 200411055E

6 Battery Road #10-01
Singapore 049909