



Atlantic Navigation Holdings (Singapore) Limited

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

**EMPHASIS OF MATTER ON THE AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

In compliance with Rule 704(4) of the Singapore Exchange Securities Trading Limited Listing Manual – Section B: Rules of Catalist (the “**Catalist Rules**”), the Board of Directors (the “**Board**”) of Atlantic Navigation Holdings (Singapore) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform that the independent auditor of the Company, Ernst & Young LLP (the “**Auditor**”), has included an Emphasis of Matter in respect of material uncertainty related to the Group’s ability to continue as a going concern in the Independent Auditor’s Report on the audited financial statements of the Company and its subsidiaries (“**Audited Financial Statements**”) for the financial year ended 31 December 2019 (“**FY2019**”) which is published together with the Annual Report 2019 (“**AR2019**”) released on 15 April 2020.

The opinion of the Auditor remains unqualified.

In the opinion of the Directors, the Group will be able to continue as a going concern as there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the Group is expected to be able to generate sufficient cash flows from its operations as well as secure the support from its principal bankers and other stakeholders.

For further details, please refer to the extracts of the Independent Auditor’s Report, Note 2.1 and Note 39 to the Audited Financial Statements which sets out, *inter alia*, the additional bases for the Management and the Board’s opinion that the Group will be able to continue as a going concern, annexed to this announcement.

To set into context, the financial performance and position of the Group has improved in FY2019 compared to FY2018, as detailed, *inter alia*, below:

- (a) The Group had generated positive net cash flows from operating activities and investing activities of US\$7.4 million in aggregate, with the resultant overall negative net cash flow of US\$3.5 million due mainly to the net repayment of loans and borrowings of US\$10.5 million after taking into consideration the proceeds from shareholders of US\$3.8 million in financing activities as disclosed on page 52 of the AR2019.
- (b) The net current liability position has reduced from US\$25.9 million as at 31 December 2018 to US\$20.0 million as at 31 December 2019. The debt net of cash and bank balances in aggregate, amounts which included trade payables as liabilities but disregarding trade receivables as assets, was also reduced to US\$106.0 million as at 31 December 2019, from US\$111.8 million as at 31 December 2018. This resulted in a corresponding lower gearing ratio, i.e. 55% as at 31 December 2019 compared to 57% as at 31 December 2018 as disclosed on page 109 of the AR2019.
- (c) As disclosed in the Company’s announcement dated 29 February 2020, the Group had generated adjusted Earnings Before Interests, Taxes, Depreciation and Amortisation (EBITDA) as defined thereon of US\$19.8 million in FY2019 compared to US\$16.3 million in FY2018.

Apart from the above, the Company refers to the announcement made on 11 April 2019 in relation to the same material uncertainty issue raised by the Auditor for Audited Financial Statements for FY2018 where the following supporting points continue to apply in FY2019, including:

- (i) the inherent skew-ness of the determination of net current liability position due to the Group's value of the vessels of US\$164.0 million in the balance sheet as disclosed on page 77 of the AR2019 are all classified as non-current assets being long-lived assets while the loans backed by mortgages of these vessels have current and non-current liabilities components from an accounting stand-point; and
- (ii) the support of the significant shareholders owning about 90% of the Company in aggregate.

Shareholders of the Company are advised to read the AR2019 in its entirety including the Audited Financial Statements for FY2019 as released on 15 April 2020 on SGXNet. An updated copy of the AR2019 including the Notice of Annual General Meeting for FY2019 which is to be held by 29 June 2020 will be despatched in due course.

The Board confirms that, to the best of its knowledge, all material disclosures have been provided for the trading of the Company's shares to continue.

By Order of the Board

Wong Siew Cheong
Executive Director and Chief Executive Officer

15 April 2020

*This announcement has been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited. This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.*

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

A COPY OF THE INDEPENDENT AUDITOR'S REPORT TO THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019, 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 Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2019 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

The Group incurred negative net cash flows of US\$3,510,000 during the financial year ended 31 December 2019 and as at that date, the Group's current liabilities exceeded its current assets by US\$19,952,000. 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. As stated in Note 2.1 to the financial statements, 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 continuing support from its principal bankers to meet its financial obligations as and when they fall due. The Group's actions after the balance sheet date are disclosed in Note 39 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.

Key Audit Matter

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.

Key Audit Matter (cont'd)

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.

Carrying value of vessels

The Group owns vessels with a carrying value of US\$163,963,000 as at 31 December 2019. The impairment test was conducted by comparing the carrying amount of the vessels to their respective recoverable amount which is the higher of its fair value less costs to dispose and its value in use. There is no impairment charge during the year.

Management has assessed the recoverable amounts of vessels based on its fair value less costs to dispose of which the fair value of vessels is determined by independent professional valuers. Due to the high level of judgement involved in estimating the fair value and the significance of the carrying amount of the vessels, we determined this as a key audit matter.

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:

- Assessed management's evaluation of indicators of impairment for the vessels;
- Reviewed the basis of management's assessment of the estimated useful lives and residual values of the vessels;
- Evaluated the competence, capabilities and objectivity of the external valuer engaged by the management;
- Analysed the methodologies and key valuation parameters adopted by external valuer;
- Involved our internal valuation specialist to assist us in our assessment of the external valuer's methodologies and reasonableness of key valuation parameters taking into consideration the specification of the vessels.

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.

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 SFRS(I), 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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.

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 Wong Yew Chung.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

15 April 2020

EXTRACT OF NOTE 2.1 AND NOTE 39 TO THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 (International) ("SFRS(I)").

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.

Going concern uncertainty

The Group incurred negative net cash flows of US\$3,510,000 after taking into account net repayment of debt of US\$10,479,000 during the financial year ended 31 December 2019 (2018: positive net cash flows of US\$4,712,000) and as at that date, the Group's current liabilities exceeded its current assets by US\$19,952,000 (2018: US\$25,904,000). The financial statements have been prepared on a going concern basis as the Group continues to expect to be able to generate sufficient cash flows from its operations as well as secure the support from its principal bankers (as evidenced by the re-profiling of certain facilities as previously announced in October 2019) and other stakeholders. The Group's proposed mitigating measures after the balance sheet date are disclosed in Note 39 to the financial statements.

39. Events occurring after the reporting period

The recent global COVID-19 pandemic with the quarantine and lock-down measures and disruption in supply chain logistics due to travel restrictions has resulted in severe negative consequences on global economy exacerbated by recent sharp declines in oil prices characterised by drastic decrease in demand compounded by the lag and deemed insufficiency of supply cuts to offset against the decrease in demand.

Given that these recent developments took place after the financial year ended 31 December 2019, they are non-adjusting events that do not have an impact on the financial statements of the Group for the said period. Estimates and assumptions with respect to the impairment assessment of vessels and expected credit losses are based on prevailing market, economic and other conditions as at date of the consolidated financial statements. The uncertainties surrounding the impact of the COVID-19 pandemic on the global economy and financial markets may affect the actual outcome of the estimates and assumptions adopted.

In the event that the environment of pandemic and suppressed oil prices persist on a protracted basis, the Group is working to mitigate the potential impacts which may include the award or extensions of chartering contracts being delayed or cancelled, varying of certain contractual terms and work resulting in lower utilisation, revenue and margins. A delay in receiving payment resulting in lower operating cash flows and higher expected credit losses on receivables, and impairment on vessels arising from lower demand may also be expected moving forward.

While the impact of these severe global challenges have not had a significant impact on the Group's operations at the present moment with an indicative fleet utilisation rate of about 85% for the 1Q FY2020, the Group will strive to mitigate the impact by adopting measures including working closely with our principal bankers for the deferment of certain loan repayment obligations and for continuing financing support measures and trade creditors to further align repayment obligations with receivable collections and reduce the impact of the disruptions to the global logistics supply chain.