Atlantic Navigation Holdings (Singapore) Limited

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

RESPONSES TO QUESTIONS RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RELATION TO THE ANNUAL REPORT 2023

The Board of Directors (the "**Board**") of Atlantic Navigation Holdings (Singapore) Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's annual report for the financial year ended 31 December 2023 ("**AR2023**"), and the announcement dated 12 April 2024 on the Annual General Meeting to be held at Jasmine Room, Ibis Singapore on Bencoolen, 170 Bencoolen Street, Singapore 189657 on Monday, 29 April 2024, at 10.00 a.m. (the "**Announcement**").

Further to the Announcement, while there has been no question received from shareholders, the Board had been notified that the AR2023 had been selected for review this year by, and had received questions ("**Questions**") from, the Securities Investors Association (Singapore) ("**SIAS**"), to which the Company wishes to provide its responses to the Questions, as follows:

Question 1

As highlighted in the message to shareholders, the Chairman of the Company reported that the group achieved record revenue of US$91.0 million in FY2023, compared to US$64.9 million in FY2022. The increase has been attributed to improvements in daily charter rates and fleet expansion.

In FY2023, the fleet utilisation rate was 88.5%, down from 91.4% in FY2022 as six vessels undergone special survey.

The CEO also noted that current market sentiment is positive, although the group remains cautious due to macroeconomic conditions and geopolitical factors. The group aims to enhance its fleet capabilities through fleet renewal and opportunistic acquisitions. A new-built multi-purpose PSV will be added to the fleet by the end of the second quarter of 2024.

The average age of owned vessel fleet is 8.7 years. More details on the group's fleet of vessels can be found on page 10 of the annual report.

(i) **Has the group secured charter for the new-built PSV?**

Company's Response:

The Group is in discussions with two of its existing charterers for this PSV which is expect to be delivered by end 2Q2024. The Group will update the market as and when there are further developments to the discussions with charterers on the newly-built PSV.

(ii) **What was the fleet utilisation rate in 2023 if management factors in the drydocking/special survey?**

Company's Response:

6 vessels and 2 vessels had undergone and completed their respective drydocking/special surveys in FY2023 and FY2022 respectively. Taking into account relevant non-available days, the adjusted utilisation rates would be approximately 92.2% for FY2023 which is comparable to FY2022.

(iii) **Can management provide further details on the strategy to optimise charters and maximize revenue/earnings?**

Company's Response:

The Management takes a long-term view in developing its relationships with its pool of charterers which are mainly Middle East National Oil Companies ("**MENOCs**") and international contractors. The focus is primarily on the Group developing an early understanding of the charterers' vessel requirements including their scope of work and prospective schedules. On the basis of this understanding, the Management will seek to optimise daily charter rates and utilisation, taking into account prevailing market conditions.

(iv) **Despite the increase in revenue, the group has shown efficiency at collecting trade receivables. Trade receivables were lower at US$16.9 million as at 31 December 2023, compared to US$18.0 million a year ago. Can management shed light on the strategies employed to achieve this efficiency?**

Company's Response:

Receivable collections were improved in FY2023 partly on the back of the corresponding improvement in our sector post COVID-19. Coupled with strong relationships established over the years with deeper understanding of the internal and administrative processes of our clients, we have been able to work closely with them on improving the payment cycle. The Group's Finance and Operations teams also follow up closely on payments based on the payment terms which had also contributed to the improvement in the management of working capital.

(v) **Separately, on the operational front, how does the board/management oversee and ensure key operational aspects such as vessel and equipment maintenance, crew proficiency, safety training, risk assessment, and hazard awareness?**

Company's Response:

The operations of offshore gas and oil industry are highly regulated by various regulatory and industry bodies including the flag state which the vessels belong to, International Maritime Organization ("IMO") conventions, International Convention for the Prevention of Pollution from Ships ("MARPOL"), International Convention for the Safety of Life at Sea ("SOLAS") and Maritime Labor Convention ("MLC"). Therefore, strict compliance to these industry regulations in addition to Offshore Vessel Management and Self Assessment ("OVMSA"), regular audits from clients, ensure the Group operates at the high level of efficiency and capability.

The Group regularly assesses risk factors and their mitigating measures including operational risks and monitor these via the Enterprise Risk Management register during our quarterly board meetings. Complemented by the Group's Planned Management System, various teams including Operations, Health, Safety and Environment ("HSE") and Crewing work closely together to ensure the smooth operation of our vessels.

The Management reviews and reports to the Board and Audit Committee on the Group's Risk Management and Internal Controls during the Board and Audit Committee meetings and also as and when necessary. The Internal Auditors also reviews the same and reports to the Board and Audit Committee who regularly engages the Management to ensure that the implementation of adequate and effective risk management and internal control systems are cascaded down to the Management and department heads.

(vi) **Given that vessels under Marine Logistics Services (MLS) mainly operate in the Arabian Gulf, what precautions has the group taken, despite not being significantly impacted by the current Middle East conflict?**

Company's Response:

The Group is remaining vigilant and closely monitoring the current situation in the Middle East. The safety of crew and onshore staff is of paramount importance to the Group. Emergency and contingency plans have been developed by the Group in consultation and close regular contact with various stakeholders including charterers and insurers to ensure preparedness to respond to actual or perceived threats including deployment to safe harbour and other evacuation plans.

Question 2

The group reduced its gearing from 45.2% in FY2022 to 38.0% in FY2023, even as it expanded its fleet and drydocked six vessels. Total loans and borrowings amounted to US$41.3 million, with US$13.4 million due in 2024.

(i) **Can the board/management share their views on the oil price trends and interest rates?**

Company's Response:

The Group, with its experienced Board members and Management, monitors market and industry developments which have an impact on its operations, including oil prices which impact on vessel demand, the industry supply of vessels etc. Subject to major developments in the current conflicts in the Middle East and other unforeseen circumstances, the Management is of the view that oil prices can be expected to stay at a level conducive for offshore exploration, production and maintenance in the short to medium term. As for interest rates, the main driving factors are inflation rate and level of economic activities, with prevalent view that interest rates are expected to remain at current levels in the short term.

(ii) **The group's borrowings are all on floating rates (Note 34(c) Interest rate risk). Can the board help shareholders better understand the group's approach to managing its interest rate risks? Was it an informed decision not to hedge its interest rate exposure?**

Company's Response:

To clarify, Note 34(c) Interest rate risk is to be read in conjunction with Note 29 Derivatives where it was disclosed that an interest rate swap arrangement which matures in October 2025, i.e. with respect to Term Loan B, had been entered into with notional amount of US$7.981 million out of US$10.335 million outstanding as at 31 December 2023 being hedged to 3.5% fixed as opposed to floating 3-month SOFR which at the moment is approximately 5.3%.

In view of the improving operational and financial performance and low gearing levels of the Group, the other component of bank interest cost, i.e. bank interest margin, had been reduced from about 5.0% in earlier loans procured to 3.15% by July 2023 applicable per Term Loan F of US$20.0 million as well as for the new loan of US$12.0 million procured in March 2024.

The Management will continue to monitor macroeconomic factors impacting interest rates, and in its regular contacts with its primary banker engage in discussion on the potential of hedging.

(iii) **As at 31 December 2023, the group has commitments of US$7.97 million relating to the construction of a vessel (presumably the new-built). Has the board set a limit on the maximum gearing? How much more headroom is available to expand its fleet?**

Company's Response:

Based on the prevailing market conditions and the uncertainties not least with the Middle East conflict, it is the current intention of the Board to maintain the gearing ratio at about 40% and that the Group would embark on gradual expansion on steady growth path having regard to relevant factors including commercial opportunities, availability of external financing, risk environment and assessment, and long term cash flow generation,

(iv) **The group has incorporated a new Qatari entity as it looks to capitalise on growing demand. With nearly half of the group's revenue already coming from Qatar, how does the board assess the potential concentration risk posed by the group's significant exposure to the Qatari market?**

Company's Response:

The Group is of the view that its current core strength is in the operations and management of OSVs in particular operating in the Arabian Gulf. In this market segment, the key countries are Qatar, Saudi Arabia, UAE and Oman where the Group has a well established presence and reputation. Specifically for Qatar, it posseses one of the largest abundance of natural gas reserves as well as the largest producers of natural gas globally.

The Board and Management takes into account its overall exposure, the credit history and worthiness of its clients which are currently mainly reputable companies and are not likely to default in payment in its diversification process within the Middle East. Please see our response to Question 1(vi) on our strategy for addressing geo-political risk.

Question 3

On 24 May 2023, in the company's response to SGX's query regarding trading activity, it stated that it had been notified that afternoon that the two significant shareholders, namely Saeed Investment Pte. Ltd and Mr Wong Siew Cheong, are exploring strategic options in relation to their respective interests in the company.

Based on the statistics of shareholdings shown in the annual report, the two shareholders hold 262.9 million (50.22%) and 166.6 million (31.82%) shares respectively. Mr Wong Siew Cheong is also deemed to be interested in 33.4 million shares (6.38%) which are held by his spouse.

Mr Wong Siew Cheong is also the Executive Director and Chief Executive Officer while Saeed Investment is controlled Mr Kum Soh Har, Michael, the Non-Executive Non-Independent Chairman.

(i) **Has the board reached out to Saeed and Mr Wong Siew Cheong to discuss their strategic intentions?**

Company's Response:

The Board has been briefed by Mr Michael Kum and Mr Wong Siew Cheong at the quarterly meetings for regular updates. Both interested parties are experienced directors and are aware of their disclosure requirements and their fiduciary responsibilities to act in the interests of minority shareholders under the ambit of the Catalist Rules of the SGX-ST and other regulatory authorities.

(ii) **Has there been any shift in focus or change in the group's strategic direction since the shareholders made their intentions known?**

Company's Response:

The Group continues to closely monitor the recent developments and its mitigating and adaptive measures. While the Group evaluates opportunities expand into other geographical areas on an on-going basis, there has not been any material change in the Group's strategic direction with continual focus on operational and financial performance of the Group with diversification in its operations predominantly in the Arabian Gulf within the Middle East. Should there be material changes, the Company will make the necessary announcement, if any, should there be any material development in this regard.

(iii) **Can the independent directors work with the controlling shareholders to establish a preliminary timeline on the matter to ensure transparency and alignment with shareholder interests?**

Company's Response:

While the Company understands that there have not been any decisions reached by the controlling shareholders, upon receipt of the finalised plan of strategic options from the controlling shareholders, the Independent Directors will ensure compliance with the regulatory framework as a listed company on the SGX**.**

By Order of the Board

Wong Siew Cheong
Executive Director and Chief Executive Officer

24 April 2024

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

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