



Atlantic Navigation
Holdings (Singapore) Limited

ATLANTIC NAVIGATION HOLDINGS (SINGAPORE) LIMITED

(Company Registration No. 200411055E)

Results for the Financial Period Ended
30 June 2019

Unaudited Financial Statements and Dividend Announcement

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor"). 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.

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Second Quarter Financial Statement Announcement as on 30 June 2019

Part I - INFORMATION REQUIRED FOR QUARTERLY AND FULL YEAR ANNOUNCEMENTS

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

Consolidated income statement

	3 months ended			6 months ended		
	30/06/2019 ("2Q2019")	30/06/2018 ("2Q2018")	Increase/ (Decrease) %	30/06/2019 ("HY2019")	30/06/2018 ("HY2018")	Increase/ (Decrease) %
(US\$'000)						
Revenue	18,119	14,315	26.6	33,282	26,562	25.3
Cost of services	(13,593)	(10,103)	34.5	(25,486)	(20,358)	25.2
Gross profit	4,526	4,212	7.5	7,796	6,204	25.7
Other items of income						
Finance income	1	-*	N.M.	3	2	50.0
Other income	105	10	950.0	105	81	29.6
Other items of expense						
Marketing and distribution expenses	(25)	(231)	(89.2)	(201)	(497)	(59.6)
General and administrative expenses	(1,517)	(1,586)	(4.4)	(2,489)	(2,776)	(10.3)
Finance costs	(1,740)	(2,214)	(21.4)	(3,538)	(3,659)	(3.3)
Other expenses	(214)	-	N.M.	(214)	-	N.M.
Share of results of a joint venture	-	(257)	N.M.	322	877	(63.3)
Loss on disposal of a joint operation	(589)	-	N.M.	(589)	-	N.M.
Withholding tax expense**	(418)	(342)	22.2	(786)	(704)	11.6
Profit/(loss) before tax	129	(408)	N.M.	409	(472)	N.M.
Income tax expense**	-	-	N.A.	-	-	N.A.
Profit/(loss) for the period, attributable to owners of the company	129	(408)	N.M.	409	(472)	N.M.
Adjusted EBITDA*** for the period	5,697	4,115	38.4	10,448	7,796	34.0

* Less than US\$1,000

** Previously disclosed as income tax expense and now presented as withholding tax expense in view of the nature of the tax expenditure.

*** Adjusted EBITDA is computed based on profit/(loss) before tax, finance costs, depreciation and amortisation, and adjusted for withholding tax expense, net loss on disposal of vessels and a joint operation.

Statement of comprehensive income

	3 months ended			6 months ended		
	30/06/2019 ("2Q2019")	30/06/2018 ("2Q2018")	Increase/ (Decrease) %	30/06/2019 ("HY2019")	30/06/2018 ("HY2018")	Increase/ (Decrease) %
(US\$'000)						
Profit/(loss) for the period	129	(408)	N.M.	409	(472)	N.M.
Items that may be reclassified subsequently to profit and loss						
Net fair value changes on cash flow hedges [#]	(345)	-	N.M.	(685)	-	N.M.
Other comprehensive income for the period, net of tax	(345)	-	N.M.	(685)	-	N.M.
Total comprehensive income for the period	(216)	(408)	(47.1)	(276)	(472)	(41.5)

[#] Due to the Group's application of hedge accounting, the effective portion of loss on fair value changes in derivatives is recognised directly in other comprehensive income.

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

	3 months ended			6 months ended		
	30/06/2019 ("2Q2019")	30/06/2018 ("2Q2018")	Increase/ (Decrease)	30/06/2019 ("HY2019")	30/06/2018 ("HY2018")	Increase/ (Decrease)
(US\$'000)	%			%		
Profit/(loss) for the period is stated after crediting/(charging):						
Depreciation of property, vessels and equipment	(2,590)	(1,967)	31.7	(4,877)	(3,905)	24.9
Depreciation of right-of-use asset	(17)	-	N.M.	(35)	-	N.M.
Loss on disposal of property, vessels and equipment	(324)	-*	N.M.	(324)	-*	N.M.
Gain on disposal of a vessel held for sale	110	-	N.M.	110	-	N.M.

N.M.: not meaningful N.A: not applicable

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

Balance Sheets

	Group		Company	
	Unaudited As at 30/06/2019	Audited As at 31/12/2018	Unaudited As at 30/06/2019	Audited As at 31/12/2018
(US\$'000)				
ASSETS				
Non-current assets				
Property, vessels and equipment	172,497	179,696	-	-
Right-of-use asset	200	-	-	-
Intangible asset	141	141	141	141
Investment in subsidiaries	-	-	66,741	66,741
Investment in a joint venture	233	708	-	-
Trade and other receivables	-	-	45,956	45,956
Prepayments	334	426	-	-
	<u>173,405</u>	<u>180,971</u>	<u>112,838</u>	<u>112,838</u>
Current assets				
Inventories	276	184	-	-
Trade and other receivables	21,841	15,110	12,081	10,453
Prepayments	1,673	917	8	7
Cash and bank balances	4,278	4,935	1,673	1,805
Bank deposits pledged	235	250	235	235
	<u>28,303</u>	<u>21,396</u>	<u>13,997</u>	<u>12,500</u>
Total assets	<u>201,708</u>	<u>202,367</u>	<u>126,835</u>	<u>125,338</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	20,456	17,246	257	281
Other liabilities	8,026	9,331	4,798	1,079
Lease liabilities	69	-	-	-
Loans and borrowings	23,937	20,723	7,657	7,657
	<u>52,488</u>	<u>47,300</u>	<u>12,712</u>	<u>9,017</u>
Net current (liabilities)/assets	<u>(24,185)</u>	<u>(25,904)</u>	<u>1,285</u>	<u>3,483</u>
Non-current liabilities				
Provisions	547	538	-	-
Other payables	7,332	7,332	7,332	7,332
Lease liabilities	129	-	-	-
Derivatives	1,299	614	-	-
Loans and borrowings	55,918	62,312	23,538	25,523
	<u>65,225</u>	<u>70,796</u>	<u>30,870</u>	<u>32,855</u>
Total liabilities	<u>117,713</u>	<u>118,096</u>	<u>43,582</u>	<u>41,872</u>
Net assets	<u>83,995</u>	<u>84,271</u>	<u>83,253</u>	<u>83,466</u>
Equity attributable to owners of the Company				
Share capital	38,307	38,307	111,471	111,471
Other reserves	4,005	4,690	4,431	4,431
Retained earnings/(accumulated losses)	41,683	41,274	(32,649)	(32,436)
Total equity	<u>83,995</u>	<u>84,271</u>	<u>83,253</u>	<u>83,466</u>
Total equity and liabilities	<u>201,708</u>	<u>202,367</u>	<u>126,835</u>	<u>125,338</u>

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

	As at 30/06/2019		As at 31/12/2018	
	Secured	Unsecured	Secured	Unsecured
(US\$'000)				
(a) Amount repayable in one year or less, or on demand	23,937	-	20,723	-
(b) Amount repayable after one year	55,918	-	62,312	-
Total borrowings and securities	79,855	-	83,035	-

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

- (i) Mortgage over certain vessels, as well as corporate guarantees and pledges over the shares of the respective companies owning the vessels mortgaged;
- (ii) Assignment of earnings/charter proceeds, insurances and requisition compensation of mortgaged vessels;
- (iii) Assignment of all rights, titles and interests of mortgaged vessels' charters;
- (iv) Bank deposits pledged in a retention account;
- (v) Financial covenant which requires the Group to maintain Tangible Net Worth of at least US\$50 million;
- (vi) Financial covenant as updated which requires the Group to maintain Adjusted Tangible Net Worth of at least US\$80 million;
- (vii) Adjusted leverage ratio as updated to be maintained at 1.75:1 or below. The ratio will be calculated as total liabilities (excluding cash margin and fixed deposits under lien i.e. cash encumbered for liabilities included in total liabilities) to Tangible Net Worth; and
- (viii) The Loan to Value ("LTV") to be 75%, 70% and 65% or below at all times as updated on respective loan facilities.

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

Consolidated Statement of Cash Flows (US\$ '000)	6 months ended	
	30/06/2019	30/06/2018
Operating activities		
Profit/(loss) before tax	409	(472)
Adjustments for:		
Loss on disposal of property, vessels and equipment	324	-*
Gain on disposal of a vessel held for sale	(110)	-
Interest income	(3)	(2)
Depreciation of property, vessels and equipment	4,877	3,905
Depreciation of right-of-use asset	35	-
Reversal of allowance for doubtful debts	(78)	-
Finance costs	3,538	3,659
Provisions	39	159
Share of results of a joint venture	(322)	(877)
Loss on disposal of joint operation	589	-
Total adjustments	8,889	6,844
Operating cash flows before changes in working capital	9,298	6,372
(Increase)/decrease in inventories	(92)	107
Increase in trade and other receivables	(6,804)	(1,567)
Increase in prepayments	(664)	(1,108)
Increase in trade and other payables	3,210	3,542
Decrease in provisions	(30)	(31)
(Decrease)/increase in other liabilities	(4,548)	4,312
Total changes in working capital	(8,928)	5,255
Cash generated from operations	370	11,627
Interest received	3	2
Interest paid	(3,289)	(1,980)
Income tax paid	-	-
Net cash flows (used in) / generated from operating activities	(2,916)	9,649
Investing activities		
Purchase of property, vessels and equipment	-	(30,915)
Distribution from a joint venture	797	-
Proceeds from disposal of property, vessels and equipment	510	-*
Proceeds from disposal of a vessel held for sale	260	-
Proceeds from disposal of a joint operation	900	-
Net cash flows generated from / (used in) investing activities	2,467	(30,915)
Financing activities		
Proceeds from shareholder advance	3,000	33
Proceeds from loans and borrowings	1,590	28,870
Repayment of loans and borrowings	(7,019)	(7,688)
Repayment of lease liabilities	(43)	-
Decrease/(increase) in bank deposits pledged	15	(500)
Net cash flows (used in) / generated from financing activities	(2,457)	20,715
Net decrease in cash and cash equivalents	(2,906)	(551)
Cash and cash equivalents at beginning of the period	4,935	223
Cash and cash equivalents at end of the period (Note A)	2,029	(328)
Note A: Cash and cash equivalents comprise the following at the end of the reporting period:		
Cash and bank balances	4,278	1,210
Bank overdrafts	(2,249)	(1,538)
Net balance	2,029	(328)

-* Less than US\$1,000

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

Consolidated Statement for Changes in Equity

Group	Equity, total	Share capital	Other reserves	Retained earnings
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2019	84,271	38,307	4,690	41,274
Profit for the period	280	-	-	280
<u>Other comprehensive income</u>				
Net fair value changes on cash flow hedges	(340)	-	(340)	-
Other comprehensive income for the period, net of tax	(340)	-	(340)	-
Total comprehensive income for the period	(60)	-	(340)	280
Balance at 31 March 2019	84,211	38,307	4,350	41,554
Profit for the period	129	-	-	129
<u>Other comprehensive income</u>				
Net fair value changes on cash flow hedges	(345)	-	(345)	-
Other comprehensive income for the period, net of tax	(345)	-	(345)	-
Total comprehensive income for the period	(216)	-	(345)	129
Balance at 30 June 2019	83,995	38,307	4,005	41,683

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

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

Statement of Changes in Equity

Company	Equity, total	Share capital	Other reserves	Accumulated losses
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2019	83,466	111,471	4,431	(32,436)
Loss for the period, representing total comprehensive income for the period	(85)	-	-	(85)
Balance at 31 March 2019	83,381	111,471	4,431	(32,521)
Loss for the period, representing total comprehensive income for the period	(128)	-	-	(128)
Balance at 30 June 2019	83,253	111,471	4,431	(32,649)

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

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

Company	Number of ordinary shares	Share capital (US\$'000)
As at 31 March 2019	523,512,144	111,471
As at 30 June 2019	523,512,144	111,471

During the 3-month period ended 30 June 2019, there were no changes in the issued and paid-up share capital of the Company.

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

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

As at 30 June 2019, the total numbers of share options outstanding were 750,000 (30 June 2018: 4,800,000).

Save as disclosed, there were no other outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2019 and 30 June 2018.

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

	As at	
	30/06/2019	31/12/2018
Total number of issued shares excluding treasury shares	523,512,144	523,512,144

There were no treasury shares as at 30 June 2019 and 31 December 2018.

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

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

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

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

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

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

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

Not applicable.

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

The Group has adopted the same accounting policies and method of computation in the financial statements for the current financial period as compared with the audited financial statements for the financial year ended 31 December 2018, except for the adoption of Singapore Financial Reporting Standards ("SFRS") (I) 16 – Leases which came into effect on 1 January 2019 while hedge accounting under SFRS (I) 9 – Financial Instruments for an interest rate hedging relationship was applied from FY2019.

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

The Group has adopted SFRS (I) 16 – Leases which came into effect on 1 January 2019. The Group has applied a transition approach and will not be restating comparative amounts. SFRS (I) 16 introduced changes to lessee accounting where all leases (except for exemption under short term leases and leases of low value asset) are recognised in the statement of financial position as lease liabilities with the corresponding recognition of the right-of-use assets. On adoption of SFRS (I) 16, the Group has recognised a right-of-use asset of US\$0.2 million and the corresponding lease liabilities of US\$0.2 million relates to a long-term land lease. The right-of-use asset is depreciated over the term of the land lease.

With regard to SFRS (I) 9 – Financial Instruments, the Group had interest rate swap derivative contracts in place which pay fixed interest rates based on notional values and receive variable rates equal to 3 months USD LIBOR for hedging purposes as at 30 June 2019. The Group has applied hedge accounting on this interest rate hedging relationship which qualifies for cash flow hedge accounting under SFRS (I) 9 – Financial Instruments. The effective portion of the gain or loss on interest rate swap is recognised directly in other comprehensive income within other reserves, while any ineffective portion is recognised in profit or loss. The reasons for the change are that this application provides for better alignment of intention of entering into the derivatives contracts (i.e. for hedging purposes) as well as the profit and loss in the consolidated income statement being more reflective of the operational performance of the Group.

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

	3 months ended		6 months ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Earnings / (loss) per ordinary share ("EPS / (LPS)") for the period based on net profit / (loss) attributable to owners of the Company (US\$ cents).				
Basic EPS / (LPS)	0.02	(0.16)	0.08	(0.18)
Diluted EPS / (LPS)	0.02	(0.16)	0.08	(0.18)
Weighted average number of ordinary shares on issue applicable to basic EPS / (LPS)	523,512,144	260,593,750	523,512,144	260,593,750
Weighted average number of ordinary shares on issue applicable to diluted EPS / (LPS)	523,512,144	260,593,750	523,512,144	260,593,750

The share options granted to employees under the existing Atlantic 2008 ESOS and Atlantic 2015 ESOS have not been included in the calculation of diluted EPS / (LPS) because they are anti-dilutive.

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

	Group as at		Company as at	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Net asset value per ordinary share (US\$ cents)	16.04	16.10	15.90	15.94

The net asset value per ordinary share of the Company and the Group as at 30 June 2019 and 31 December 2018 were calculated based on 523,512,144 shares (excluding treasury shares) as at 30 June 2019 and 31 December 2018.

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

- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of results of operations

(i) Revenue by business segments

	3 months ended			6 months ended		
	30/06/2019 ("2Q2019")	30/06/2018 ("2Q2018")	Increase/ (Decrease)	30/06/2019 ("HY2019")	30/06/2018 ("HY2018")	Increase/ (Decrease)
(US\$'000)	%			%		
Marine logistics services ("MLS")	17,845	14,213	25.6	32,920	26,153	25.9
Ship repair, fabrication and other marine services ("SRM")	274	102	168.6	362	409	(11.5)
	18,119	14,315	26.6	33,282	26,562	25.3

The Group's revenue for the MLS segment for 2Q2019 increased by US\$3.6 million or 25.6%, from US\$14.2 million in 2Q2018 to US\$17.8 million in 2Q2019. The increase in revenue was mainly attributable to the higher rate of utilisation of owned vessels and cross charter vessels from third parties, coupled with the deployment of the Group's seven (7) new vessels to support long-term charter contracts with a Middle Eastern National Oil Company ("NOC") and recent deployment of lift-boat Delta 22 in early May 2019.

The Group's revenue for the SRM segment for 2Q2019 increased by US\$0.2 million or 168.6% compared to 2Q2018 mainly due to the higher level of repairs works undertaken on third party vessels.

(ii) Gross profit and gross profit margin

	3 months ended			6 months ended		
	30/06/2019 ("2Q2019")	30/06/2018 ("2Q2018")	Increase/ (Decrease)	30/06/2019 ("HY2019")	30/06/2018 ("HY2018")	Increase/ (Decrease)
(US\$'000)	%			%		
<u>Gross profit</u>						
MLS	4,316	4,174	3.4	7,562	6,015	25.7
SRM	210	38	452.6	234	189	23.8
	4,526	4,212	7.5	7,796	6,204	25.7

	3 months ended		6 months ended	
	30/06/2019 ("2Q2019")	30/06/2018 ("2Q2018")	30/06/2019 ("HY2019")	30/06/2018 ("HY2018")
<u>Gross profit margin</u>				
MLS	24.2%	29.4%	23.0%	23.0%
SRM	76.6%	37.3%	64.6%	46.2%
	25.0%	29.4%	23.4%	23.4%

The Group reported gross profit of US\$4.3 million for the MLS segment during 2Q2019, compared to a gross profit of US\$4.2 million in 2Q2018. The increase in gross profit by US\$0.1 million or 3.4% corresponded with the increase in revenue, but recorded lower gross profit margin by 5.2 percentage points from 29.4% to 24.2% mainly due to lower margin contributed from spot contracts.

The Group reported gross profit of approximately US\$210,000 for the SRM segment during 2Q2019, compared to gross profit of approximately US\$38,000 in 2Q2018. The increase in gross profit of approximately US\$172,000 in 2Q2019 was mainly due to higher revenue and higher gross profit margin.

(iii) Other income

Other income for 2Q2019 was mainly due to reversal of allowance of doubtful debt of US\$78,000 and sale of scrap of US\$27,000 while that of 2Q2018 was in relation to reversal of provisions for material costs and services for FY2017.

(iv) Marketing and distribution expenses

Marketing and distribution expenses in 2Q2019 decreased by US\$0.2 million or 89.2% as compared to 2Q2018 because of higher consultancy fee incurred in 2Q2018.

(v) Administrative expenses

Administrative expenses for 2Q2019 decreased by US\$0.1 million or 4.4% as compared to 2Q2018 because of higher gratuity expense in 2Q2018.

(vi) Finance costs

Finance costs decreased by US\$0.5 million or 21.4% to US\$1.7 million in 2Q2019 as compared to US\$2.2 million in 2Q2018 corresponding to lower amount of bank borrowings due to repayments made during the period.

(vii) Other expenses

Other expenses in 2Q2019 related to net loss on sale of a vessel and a vessel held for sale.

(viii) Loss on disposal of a joint operation

The Group recorded a loss of US\$0.6 million on its disposal of its 15% minority interest in a joint operation (see announcement on 28 June 2019).

(ix) Withholding tax expense

The withholding tax expenses relates to withholding tax on foreign charter income.

(x) Profit/(loss) before tax

The Group recorded a profit before tax of US\$0.1 million in 2Q2019 compared to a loss before tax of US\$0.4 million in 2Q2018 which was mainly due to an increase in gross profit, lower marketing and distribution expenses and administrative expenses, lower finance costs and absence of share of loss of a joint venture in HY2018, but offset by other expenses, loss on disposal of a joint operation and increase in withholding tax.

(xi) Income tax expense

There is no income tax expense for these periods as the Groups significant subsidiaries are incorporated in jurisdictions where such taxes are either exempted or not applicable.

(b) Review of financial position

(i) Non-current assets

Non-current assets decreased by US\$7.6 million from US\$181.0 million as at 31 December 2018 to US\$173.4 million as at 30 June 2019 mainly due to depreciation charges of US\$4.9 million, disposal of a vessel of US\$0.8 million, reduction of asset value from disposal of a joint operation of US\$1.5 million, decrease in investment in a joint venture of US\$0.5 million, partially offset by the right-of-use asset for a long-term lease of land of US\$0.2 million.

(ii) Current assets

Current assets increased by US\$6.9 million from US\$21.4 million as at 31 December 2018 to US\$28.3 million as at 30 June 2019. This was mainly due to increase in trade and other receivables of US\$6.7 million due to delay in payments from charterers, increase of prepayment of US\$0.8 million related to vessel insurance premium and increase in inventories of US\$0.1 million, partially offset by a decrease in cash and bank balances of US\$0.6 million.

(iii) Non-current liabilities

Non-current liabilities reduced by US\$5.6 million from US\$70.8 million as at 31 December 2018 to US\$65.2 million as at 30 June 2019. This was mainly due to repayment of term loans of US\$6.4 million, partially offset by the increase in the loss on fair value changes in derivatives of US\$0.7 million and lease liabilities related to a long-term land lease of US\$0.1 million.

(iv) Current liabilities

Current liabilities increased by US\$5.2 million from US\$47.3 million as at 31 December 2018 to US\$52.5 million as at 30 June 2019, primarily due to net increase in the current portion of the loans and borrowings of US\$3.2 million and increase in trade and other payables of US\$3.2 million, partially offset by a decrease in other liabilities of US\$1.3 million.

(v) Net current liabilities

Net current liabilities decreased by US\$1.7 million from US\$25.9 million as at 31 December 2018 to US\$24.2 million as at 30 June 2019, primarily due to increase in current assets of US\$6.9 million, partially offset by increase in current liabilities of US\$5.2 million.

In the opinion of the Directors, the Group will be able to continue as a going concern as there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the Group continues to expect to be able to generate sufficient cash flows from its operations with an enlarged fleet as well as securing the support from its principal bankers and other stakeholders. Please refer to the Company's announcement dated 11 April 2019 for the details on factors taken into account by the Management and the Directors in arriving at the above opinion.

(c) Liquidity and capital resources

(i) Net cash flows used in operating activities

Net cash flows used in operating activities amounted to US\$2.9 million in HY2019. This was mainly due to operating cash flows before changes in working capital of US\$9.3 million, partially offset by negative changes in working capital of US\$8.9 million, and interest paid of US\$3.3 million.

(ii) Net cash flows generated from investing activities

Net cash flows generated from investing activities of US\$2.5 million in HY2019 was mainly due to proceeds from disposal of a joint operation of US\$0.9 million, distribution from a joint venture of US\$0.8 million and net proceeds from the disposal of two (2) vessels of US\$0.8 million.

(iii) Net cash flows used in financing activities

Net cash flows used in financing activities of US\$2.5 million in HY2019 was mainly due to principal repayment of bank loans of US\$7.0 million, partially offset by shareholder advance of US\$3.0 million by Saeed Investment Pte. Ltd. and short-term loan drawdown from an existing bank facility of US\$1.6 million.

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

The actual results of HY2019 were broadly in line with the general prospect commentary of improving performance of the Group for FY2019 as disclosed in the unaudited financial results of the Group released on 1 March 2019.

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

Global oil prices continue to be subdued and volatile in HY2019. The Group expects continuing competitive pressure on charter rates due to the excess tonnages in the offshore market.

The Group is monitoring the recent developments in the Gulf region especially with the geo-political tensions in the region and will take the appropriate steps to minimise the impact to the Group should the tension escalates and spills over from what is currently in essence impacting the tanker and conventional shipping sectors to the offshore oil and gas sector where the Group's operations are involved in.

While we expect charter rates in this region to remain competitive, our fleet utilisation has continued to improve in 2Q2019 of 84% (vs 1Q2019 of 72%) compared to 2Q2018 of 70% (vs 1Q2018 of 51%) mainly due to the deployment of seven (7) new vessels to support the long-term contracts as well as the spot contracts of other owned vessels secured by the Group.

With regard to order books, the Group's ship chartering revenue consists of mainly long-term contracts (i.e. more than one year firming excluding extension options) with NOC in the Middle East and supported by spot contracts in the Middle East region. Approximately 79% of ship chartering revenue for HY2019 was attributed to long-term charter. As at 30 June 2019, the Group had an outstanding chartering order book of US\$101.9 million with respect to firming contracts until September 2022 (and US\$166.4 million if including extension options).

Barring unforeseen circumstances, the Group continues to expect its performance to improve in FY2019 compared to FY2018 mainly due to the increase in number of owned vessels and sustained utilisation rates across the enlarged fleet.

11 Dividend

a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Nil.

(b) Corresponding period of the immediately Preceding Financial Year

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

Nil.

12 If no dividend has been declared /(recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended in view of the operational and financial requirements of the Group.

13 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.

Name of Interested Person	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920(1)(a) of the Catalist Rules) US\$' 000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000) US\$' 000
Wong Siew Cheong	US\$221,000 (Approximately S\$302,740)	-

Note:

(1) As at 30 June 2019, Mr. Wong Siew Cheong, the Executive Director and CEO 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% per annum, and is to be settled in cash.

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

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

The Board of Directors confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited interim financial results for the financial period ended 30 June 2019 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Wong Siew Cheong
Executive Director and Chief Executive Officer
13 August 2019