



Atlantic Navigation
Holdings (Singapore) Limited

ATLANTIC NAVIGATION HOLDINGS (SINGAPORE) LIMITED

(Company Registration No. 200411055E)

Results for the Financial Period Ended 30 June 2020

Unaudited Financial Statements and Dividend Announcement

In view of an Emphasis of Matter relating to "material uncertainty related to going concern" highlighted by the Company's independent auditor, Ernst & Young LLP, on the audited financial statements of the Group for the financial ended 31 December 2019, the Company is required by the Singapore Exchange Securities Trading Limited ("SGX-ST") to announce its quarterly financial statements pursuant to Rule 705 of the Catalist Rules..

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 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.

Second Quarter Financial Statement Announcement as on 30 June 2020

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 | | |
|--|--------------------------|--------------------------|------------------------------|--------------------------|--------------------------|------------------------------|
| | 30/06/2020 ("2Q2020") | 30/06/2019 ("2Q2019") | Increase/ (Decrease) % | 30/06/2020 ("HY2020") | 30/06/2019 ("HY2019") | Increase/ (Decrease) % |
| (US\$'000) | | | | | | |
| Revenue | 16,283 | 18,119 | (10.1) | 35,563 | 33,282 | 6.9 |
| Cost of services | (11,617) | (13,593) | (14.5) | (25,867) | (25,486) | 1.5 |
| Gross profit | 4,666 | 4,526 | 3.1 | 9,696 | 7,796 | 24.4 |
| Other items of income | | | | | | |
| Finance income | 1 | 1 | N.M. | 1 | 3 | (66.7) |
| Other income | 230 | 105 | 119.0 | 231 | 105 | 120.0 |
| Other items of expense | | | | | | |
| Marketing and distribution expenses | (2) | (25) | (92.0) | (7) | (201) | (96.5) |
| Administrative expenses | (1,403) | (1,517) | (7.5) | (2,654) | (2,489) | 6.6 |
| Finance costs | (1,280) | (1,740) | (26.4) | (2,709) | (3,538) | (23.4) |
| Other expenses | (5,780) | (214) | N.M. | (5,780) | (214) | N.M. |
| Share of results of a joint venture* | - | - | N.M. | - | 322 | N.M. |
| Loss on disposal of a joint operation | - | (589) | N.M. | - | (589) | N.M. |
| Withholding tax expense** | (504) | (418) | 20.6 | (985) | (786) | 25.3 |
| (Loss)/profit before tax | (4,072) | 129 | N.M. | (2,207) | 409 | N.M. |
| Income tax expense** | - | - | N.M. | - | - | N.M. |
| (Loss)/profit for the period, attributable to owners of the Company | (4,072) | 129 | N.M. | (2,207) | 409 | N.M. |
| Adjusted EBITDA*** for the period | 5,224 | 5,279 | (1.0) | 10,739 | 9,662 | 11.1 |

* The operations of the joint venture had ceased and with formal completion agreement executed in 4Q FY2019.

** 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 (loss)/profit before tax, finance costs, depreciation, amortisation, impairment loss on property, vessels and equipment, net gain/(loss) on disposal of property, vessels and equipment.

Consolidated statement of comprehensive income

| | 3 months ended | | | 6 months ended | | |
|---|--------------------------|--------------------------|------------------------------|--------------------------|--------------------------|------------------------------|
| | 30/06/2020 ("2Q2020") | 30/06/2019 ("2Q2019") | Increase/ (Decrease) % | 30/06/2020 ("HY2020") | 30/06/2019 ("HY2019") | Increase/ (Decrease) % |
| (US\$'000) | | | | | | |
| (Loss)/profit for the period | (4,072) | 129 | N.M. | (2,207) | 409 | N.M. |
| Items that may be reclassified subsequently to profit or loss | | | | | | |
| Net fair value changes on cash flow hedges | (93) | (345) | (73.0) | (669) | (685) | (2.3) |
| Other comprehensive income for the period, net of tax | (93) | (345) | (73.0) | (669) | (685) | (2.3) |
| Total comprehensive income for the period, attributable to owners of the Company | (4,165) | (216) | N.M. | (2,876) | (276) | N.M. |

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 | | |
|---|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| | 30/06/2020 ("2Q2020") | 30/06/2019 ("2Q2019") | Increase/ (Decrease) | 30/06/2020 ("HY2020") | 30/06/2019 ("HY2019") | Increase/ (Decrease) |
| (US\$'000) | | | % | | | % |
| (Loss)/profit for the period is stated after crediting/(charging): | | | | | | |
| Depreciation of property, vessels and equipment | (2,251) | (2,590) | (13.1) | (4,456) | (4,877) | (8.6) |
| Depreciation of right-of-use asset | (16) | (17) | (5.9) | (32) | (35) | (8.6) |
| Reversal of allowances for doubtful debt | 199 | 78 | 155.1 | 199 | 78 | 155.1 |
| Gain/(loss) on disposal of property, vessels and equipment | 31 | (324) | N.M. | 31 | (324) | N.M. |
| Gain on disposal of a vessel held for sale | - | 110 | N.M. | - | 110 | N.M. |
| Impairment loss on property, vessels and equipment | (5,780) | - | N.M. | (5,780) | - | N.M. |

N.M.: not meaningful

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 30/06/2020 | Audited As at 31/12/2019 | Unaudited As at 30/06/2020 | Audited As at 31/12/2019 |
| (US\$'000) | | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, vessels and equipment | 158,613 | 168,330 | - | - |
| Right-of-use asset | 118 | 150 | - | - |
| Intangible asset | 192 | 150 | 141 | 141 |
| Investment in subsidiaries | - | - | 66,741 | 66,741 |
| Advances, deposits and other receivables | - | - | 34,219 | 39,999 |
| Prepayments | 501 | 465 | - | - |
| | <u>159,424</u> | <u>169,095</u> | <u>101,101</u> | <u>106,881</u> |
| Current assets | | | | |
| Inventories | 361 | 611 | - | - |
| Trade receivables | 12,319 | 20,579 | 1,076 | 3,419 |
| Advances, deposits and other receivables | 3,496 | 2,749 | 9,094 | 11,595 |
| Prepayments | 1,401 | 714 | - | - |
| Cash and bank balances | 1,567 | 1,755 | 102 | 632 |
| Bank deposits pledged | 771 | 235 | 770 | 235 |
| Restricted cash | 44 | 363 | - | - |
| | <u>19,959</u> | <u>27,006</u> | <u>11,042</u> | <u>15,881</u> |
| Total assets | <u>179,383</u> | <u>196,101</u> | <u>112,143</u> | <u>122,762</u> |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade payables | 12,102 | 19,975 | 167 | 2,058 |
| Accruals and other payables | 5,602 | 6,694 | 408 | 509 |
| Other non-financial liabilities | 136 | 57 | - | - |
| Amount due to shareholders | 4,047 | 3,818 | 3,229 | 3,000 |
| Lease liabilities | 75 | 72 | - | - |
| Loans and borrowings | 15,473 | 16,342 | 7,657 | 7,657 |
| | <u>37,435</u> | <u>46,958</u> | <u>11,461</u> | <u>13,224</u> |
| Net current (liabilities)/assets | <u>(17,476)</u> | <u>(19,952)</u> | <u>(419)</u> | <u>2,657</u> |
| Non-current liabilities | | | | |
| Provisions | 590 | 553 | - | - |
| Amount due to shareholders | 8,844 | 8,622 | 8,844 | 8,622 |
| Lease liabilities | 42 | 78 | - | - |
| Derivatives | 1,881 | 1,212 | - | - |
| Loans and borrowings | 47,515 | 52,726 | 14,674 | 17,866 |
| | <u>58,872</u> | <u>63,191</u> | <u>23,518</u> | <u>26,488</u> |
| Total liabilities | <u>96,307</u> | <u>110,149</u> | <u>34,979</u> | <u>39,712</u> |
| Net assets | <u>83,076</u> | <u>85,952</u> | <u>77,164</u> | <u>83,050</u> |
| Equity attributable to owners of the Company | | | | |
| Share capital | 38,307 | 38,307 | 111,471 | 111,471 |
| Other reserves | 3,300 | 3,969 | 4,431 | 4,431 |
| Retained earnings/(accumulated losses) | 41,469 | 43,676 | (38,738) | (32,852) |
| Total equity | <u>83,076</u> | <u>85,952</u> | <u>77,164</u> | <u>83,050</u> |
| Total equity and liabilities | <u>179,383</u> | <u>196,101</u> | <u>112,143</u> | <u>122,762</u> |

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

| | As at 30/06/2020 | | As at 31/12/2019 | |
|---|---------------------|-----------|---------------------|-----------|
| | Secured | Unsecured | Secured | Unsecured |
| (US\$'000) | | | | |
| (a) Amount repayable in one year or less, or on demand | 15,473 | - | 16,342 | - |
| (b) Amount repayable after one year | 47,515 | - | 52,726 | - |
| Total borrowings and securities | 62,988 | - | 69,068 | - |

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 which requires the Group to maintain Adjusted Tangible Net Worth of at least US\$80 million (which includes loans and advances from shareholders in its determination);
- (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.

The amounts reflected at the table above do not include the loans and advances from shareholders of US\$11.2 million in aggregate which are unsecured as disclosed under Interested Person Transactions under Paragraph 13 of this announcement.

In October 2019, the Group had successfully concluded a re-profiling of 2 previous loan facilities comprising of a Short Term Revolving Loan of US\$5.0 million with maturity in July 2020 and a Medium Term Loan of US\$4.5 million with maturity in October 2021 with one of its principal bankers. These 2 loan facilities had been amalgamated to a new Medium Term Loan facility of US\$9.5 million (the "New MTL").

Although there were no new proceeds being released, the previous loan facilities had been termed-out with the maturity for the New MTL being May 2025. The interest rate on the New MTL secured against the same vessels at similar LTV financial covenants has also been lowered marginally compared to the previous interest rate on a weighted average basis with respect to the previous 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 | |
|---|-----------------------|-------------------|
| | 30/06/2020 | 30/06/2019 |
| Operating activities | | |
| (Loss)/profit before tax | (2,207) | 409 |
| Adjustments for: | | |
| (Gain)/loss on disposal of property, vessels and equipment | (31) | 324 |
| Gain on disposal of a vessel held for sale | - | (110) |
| Interest income | (1) | (3) |
| Depreciation of property, vessels and equipment | 4,456 | 4,877 |
| Depreciation of right-of-use asset | 32 | 35 |
| Reversal of allowances for doubtful debt | (199) | (78) |
| Finance costs | 2,709 | 3,538 |
| Provisions | 62 | 39 |
| Share of results of a joint venture | - | (322) |
| Loss on disposal of a joint operation | - | 589 |
| Impairment loss on property, vessels and equipment | 5,780 | - |
| Total adjustments | 12,808 | 8,889 |
| Operating cash flows before changes in working capital | 10,601 | 9,298 |
| Decrease/(increase) in inventories | 250 | (92) |
| Decrease/(increase) in trade receivables | 8,459 | (6,729) |
| Increase in advances, deposits and other receivables | (747) | (75) |
| Increase in prepayments | (723) | (664) |
| Decrease in trade payables | (7,873) | (458) |
| Decrease in accruals and other payables | (374) | (233) |
| Decrease in provisions | (25) | (30) |
| Increase/(decrease) in other non-financial liabilities | 79 | (647) |
| Total changes in working capital | (954) | (8,928) |
| Cash generated from operations | 9,647 | 370 |
| Interest received | 1 | 3 |
| Interest paid | (2,973) | (3,289) |
| Net cash flows generated from/(used in) operating activities | 6,675 | (2,916) |
| Investing activities | | |
| Purchase of property, vessels and equipment | (582) | - |
| Distribution from a joint venture | - | 797 |
| Proceeds from disposal of property, vessels and equipment | 52 | 510 |
| Proceeds from disposal of a vessel held for sale | - | 260 |
| Proceeds from disposal of a joint operation | - | 900 |
| Net cash flows (used in)/generated from investing activities | (530) | 2,467 |
| Financing activities | | |
| Proceeds from shareholder advance | - | 3,000 |
| Proceeds from loans and borrowings | 81 | 1,590 |
| Repayment of loans and borrowings | (7,300) | (7,019) |
| Repayment of lease liabilities | (36) | (43) |
| (Increase)/decrease in bank deposits pledged and restricted cash | (217) | 15 |
| Net cash flows used in financing activities | (7,472) | (2,457) |
| Net decrease in cash and cash equivalents | (1,327) | (2,906) |
| Cash and cash equivalents at beginning of the period | 1,425 | 4,935 |
| Cash and cash equivalents at end of the period (Note A) | 98 | 2,029 |
| Note A: Cash and cash equivalents comprise the following at the end of the reporting period: | | |
| Cash and bank balances | 1,567 | 4,278 |
| Bank overdrafts | (1,469) | (2,249) |
| Net balance | 98 | 2,029 |

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 2020 | 85,952 | 38,307 | 3,969 | 43,676 |
| Profit for the period | 1,865 | - | - | 1,865 |
| <u>Other comprehensive income</u> | | | | |
| Net fair value changes on cash flow hedges | (576) | - | (576) | - |
| Other comprehensive income for the period, net of tax | (576) | - | (576) | - |
| Balance at 31 March 2020 | 87,241 | 38,307 | 3,393 | 45,541 |
| Loss for the period | (4,072) | - | - | (4,072) |
| <u>Other comprehensive income</u> | | | | |
| Net fair value changes on cash flow hedges | (93) | - | (93) | - |
| Other comprehensive income for the period, net of tax | (93) | - | (93) | - |
| Balance at 30 June 2020 | 83,076 | 38,307 | 3,300 | 41,469 |

| 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) | - |
| 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) | - |
| Balance at 30 June 2019 | 83,995 | 38,307 | 4,005 | 41,683 |

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 2020 | 83,050 | 111,471 | 4,431 | (32,852) |
| Loss for the period, representing total comprehensive income for the period | (39) | - | - | (39) |
| Balance at 31 March 2020 | 83,011 | 111,471 | 4,431 | (32,891) |
| Loss for the period, representing total comprehensive income for the period | (5,847) | - | - | (5,847) |
| Balance at 30 June 2020 | 77,164 | 111,471 | 4,431 | (38,738) |

| 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) |

1 (d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2020 | 523,512,144 | 111,471 |
| As at 30 June 2020 | 523,512,144 | 111,471 |

During the 3-month period ended 30 June 2020, 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 were exercisable between 30 January 2015 and 29 January 2020, and the remaining 2,025,000 share options were exercisable between 30 January 2016 and 29 January 2020, at the exercise price of S\$0.34 if the vesting conditions were 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). These share options had since expired on 29 January 2020.

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). These share options had since expired on 11 May 2020.

Save as disclosed, there were no other outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2020 and 30 June 2019.

On 11 March 2019, the Company issued 262,918,394 Subscription Shares to Saeed Investment Pte. Ltd., pursuant to the terms and conditions of the Subscription Agreement, with the shares being held at HSBC (Singapore) Nominees Pte Ltd.

Mr. Kum Soh Har, Michael and Madam Ong Bee Yong, Lynda are deemed interested in 262,918,394 shares in the capital of the Company which are held by Saeed Investment Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

Mr. Wong Siew Cheong is interested in 166,599,000 shares and is deemed to be interested in 33,375,000 shares in the capital of the Company which are held by his spouse, Madam Chong Mee Chin.

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 | |
|---|-------------|-------------|
| | 30/06/2020 | 31/12/2019 |
| Total number of issued shares excluding treasury shares | 523,512,144 | 523,512,144 |

There were no treasury shares as at 30 June 2020 and 31 December 2019.

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 modifications or emphasis of matter).

Not applicable.

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- a) Updates on the efforts taken to resolve each outstanding audit issue.
- b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

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.

Save as disclosed in Paragraph 5, 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 2019.

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.

New and Amendments to Singapore Financial Reporting Standards (International) ("SFRS(I)s")

During the financial period, the Group has considered the following new and amendments to SFRA(I)s which took effect from financial year beginning 1 January 2020:

- Amendments to SFRS(I) 3: Definition of a Business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform
- Various: Amendments to References to the Conceptual Framework in SFRS(I) Standards

The above new and amendments to the SFRS(I)s do not have any material effect on the financial statements of the Group.

Assessment of Impairment on Property, vessels and equipment

The Group carries its vessels as non-current assets, measured at cost less accumulated depreciation and impairment losses which are assessed including obtaining valuation reports from independent professional valuers at the end of each financial reporting year, i.e. on an annual basis. In view of the uncertainties due to the rapidly evolving COVID-19 pandemic as well as the volatility of oil prices and their impacts, the Group shall perform an impairment assessment on its vessels on a semi-annual basis for more timely assessment of carrying values of vessels.

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 | |
|--|----------------|-------------|----------------|-------------|
| | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 |
| (Loss)/earnings per ordinary share ("LPS)/EPS") for the period based on net (loss)/profit attributable to owners of the Company (US\$ cents) | | | | |
| Basic (LPS)/EPS | (0.78) | 0.02 | (0.42) | 0.08 |
| Diluted (LPS)/EPS | (0.78) | 0.02 | (0.42) | 0.08 |
| Weighted average number of ordinary shares on issue applicable to basic (LPS)/EPS | 523,512,144 | 523,512,144 | 523,512,144 | 523,512,144 |
| Weighted average number of ordinary shares on issue applicable to diluted (LPS)/EPS | 523,512,144 | 523,512,144 | 523,512,144 | 523,512,144 |

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 loss per share because they are anti-dilutive. All options have expired since 11 May 2020 as disclosed on Paragraph 1(d)(ii) of this announcement.

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 | |
|---|-------------|------------|---------------|------------|
| | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
| Net asset value per ordinary share (US\$ cents) | 15.87 | 16.42 | 14.74 | 15.86 |

The net asset value per ordinary share of the Company and the Group were calculated based on 523,512,144 shares (excluding treasury shares) as at 30 June 2020 and 31 December 2019.

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 | | |
|--|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| | 30/06/2020 ("2Q2020") | 30/06/2019 ("2Q2019") | Increase/ (Decrease) | 30/06/2020 ("HY2020") | 30/06/2019 ("HY2019") | Increase/ (Decrease) |
| (US\$'000) | | | % | | | % |
| Marine logistics services ("MLS") | 15,939 | 17,845 | (10.7) | 34,940 | 32,920 | 6.1 |
| Ship repair, fabrication and other marine services ("SRM") | 344 | 274 | 25.5 | 623 | 362 | 72.1 |
| | 16,283 | 18,119 | (10.1) | 35,563 | 33,282 | 6.9 |

The Group's revenue for the MLS segment for 2Q2020 decreased by US\$1.9 million or 10.7% compared to 2Q2019. The decrease in revenue was mainly attributable to the lower revenue contribution from cross charter vessels and non-deployment of one of the lift-boats in 2Q2020.

The Group's revenue for the SRM segment for 2Q2020 increased by US\$0.1 million or 25.5% compared to 2Q2019 mainly due to the higher level of repairs works undertaken on third party vessels. SRM segment revenue were low as the division was mainly involved in maintenance, repairs and overhaul works of the Group's owned vessels.

(ii) Gross profit and gross profit margin

| | 3 months ended | | | 6 months ended | | |
|----------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| | 30/06/2020 ("2Q2020") | 30/06/2019 ("2Q2019") | Increase/ (Decrease) | 30/06/2020 ("HY2020") | 30/06/2019 ("HY2019") | Increase/ (Decrease) |
| (US\$'000) | | | % | | | % |
| <u>Gross profit</u> | | | | | | |
| MLS | 4,384 | 4,316 | 1.6 | 9,243 | 7,562 | 22.2 |
| SRM | 282 | 210 | 34.3 | 453 | 234 | 93.6 |
| | 4,666 | 4,526 | 3.1 | 9,696 | 7,796 | 24.4 |

| | 3 months ended | | 6 months ended | |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 30/06/2020 ("2Q2020") | 30/06/2019 ("2Q2019") | 30/06/2020 ("HY2020") | 30/06/2019 ("HY2019") |
| <u>Gross profit margin</u> | | | | |
| MLS | 27.5% | 24.2% | 26.5% | 23.0% |
| SRM | 82.0% | 76.6% | 72.7% | 64.6% |
| | 28.7% | 25.0% | 27.3% | 23.4% |

The Group reported gross profit of US\$4.4 million for the MLS segment during 2Q2020, compared to a gross profit of US\$4.3 million in 2Q2019. The increase in gross profit by US\$0.1 million or 1.6% with higher gross profit margin by 3.3% from 24.2% to 27.5% mainly due to higher proportion of revenue contribution from owned vessels which contributed higher margin compared to cross chartered vessels.

The Group reported gross profit of approximately US\$282,000 for the SRM segment during 2Q2020, compared to gross profit of approximately US\$210,000 in 2Q2019. The increase in gross profit of approximately US\$72,000 in 2Q2020 was mainly due to higher revenue and higher gross profit margin.

(iii) Other income

Other income for 2Q2020 was mainly contributed by reversal of allowance of doubtful debt of US\$0.2 million while that of 2Q2019 was in relation to reversal of allowances for doubtful debt of US\$0.1 million.

(iv) Marketing and distribution expenses

Marketing and distribution expenses in 2Q2020 decreased by 92.0% as compared to 2Q2019 due to lower business travel expenses in view of the traveling restrictions during the COVID-19 outbreak period.

(v) Administrative expenses

Administrative expenses for 2Q2020 decreased by US\$0.1 million or 7.5% as compared to 2Q2019 mainly because of decrease in statutory, professional and consultancy fees of US\$0.2 million, partially offset by increase in staff and related costs of US\$0.1 million.

(vi) Finance costs

Finance costs decreased by US\$0.5 million or 26.4% to US\$1.3 million in 2Q2020 as compared to US\$1.7 million in 2Q2019 corresponding to lower amount of bank borrowings during the comparative periods.

(vii) Other expenses

Other expenses in 2Q2020 were due to impairment losses of US\$5.8 million in total on 6 vessels, considering factors such as age, similarity in concept design of vessels and uncertainty in visibility of utilisation, with valuation reports being obtained from the independent professional valuers (see Paragraph 5 of this announcement). In 2Q2019, they were due to net loss on sale of a vessel and a vessel held for sale.

(viii) Withholding tax expense

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

(ix) (Loss)/profit before tax

The Group recorded a loss before tax of US\$4.1 million in 2Q2020 compared to profit before tax of US\$0.1 million in 2Q2019 mainly due to the impairment of certain vessels offset by an increase in gross profit, increase in other income, lower marketing and distribution expenses, administrative expenses and finance costs.

(x) Income tax expense

There is no income tax expense for these periods as the Group's 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\$9.7 million from US\$169.1 million as at 31 December 2019 to US\$159.4 million as at 30 June 2020. This was mainly due to impairment of certain vessels of US\$5.8 million and depreciation charges of US\$4.5 million, partially offset by dry dock expense of US\$0.4 million and purchase of vehicle of US\$0.1 million.

(ii) Current assets

Current assets decreased by US\$7.0 million from US\$27.0 million as at 31 December 2019 to US\$20.0 million as at 30 June 2020. This was mainly due to decrease in trade receivables of US\$8.3 million after the repayment of contractual retention, decrease in inventory of US\$0.3 million, decrease in restricted cash of US\$0.3 million and decrease in cash and bank balances of US\$0.2 million, partially offset by increase in advances, deposits and other receivable of US\$0.7 million, increase in prepayment of US\$0.7 million and increase in bank deposits pledged of US\$0.5 million.

(iii) Non-current liabilities

Non-current liabilities reduced by US\$4.3 million from US\$63.2 million as at 31 December 2019 to US\$58.9 million as at 30 June 2020. This was mainly due to repayment of term loans of US\$5.2 million, partially offset by the increase in the loss on fair value changes in derivatives of US\$0.7 million and amount due to shareholders of US\$0.2 million.

(iv) Current liabilities

Current liabilities decreased by US\$9.5 million from US\$46.9 million as at 31 December 2019 to US\$37.4 million as at 30 June 2020, mainly due decrease in trade payable of US\$7.9 million, decrease in accruals and other payables of US\$1.1 million and decrease in the current portion of the loans and borrowings of US\$0.9 million, partially offset by an increase in amount due to shareholders of US\$0.2 million and other non-financial liabilities of US\$0.1 million.

(v) Net current liabilities

Net current liabilities decreased by US\$2.5 million from US\$20.0 million as at 31 December 2019 to US\$17.5 million as at 30 June 2020, mainly due to decrease in current liabilities of US\$9.5 million, partially offset by decrease in current assets of US\$7.0 million.

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 as well as securing the continued support from its principal bankers (as evidenced by the re-profiling of certain facilities as mentioned in Paragraph 1(b)(ii) of this announcement) and other stakeholders. Please also refer to the Company's announcement dated 15 April 2020 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 generated from operating activities

Net cash flows generated from operating activities amounted to US\$6.7 million in HY2020. This was mainly due to operating cash flows before changes in working capital of US\$10.6 million, partially offset by negative changes in working capital of US\$1.0 million and interest paid of US\$3.0 million.

(ii) Net cash flows used in investing activities

Net cash flows used in investing activities of US\$0.5 million in HY2020 was mainly due to dry dock expense and purchase of vehicle, partially offset by proceeds from disposal of machinery and vehicle.

(iii) Net cash flows used in financing activities

Net cash flows used in financing activities of US\$7.5 million in HY2020 was mainly due to principal repayment of bank loans of US\$7.3 million and increase in bank deposit pledged and restricted cash of US\$0.2 million, partially offset by proceed from borrowings of US\$0.1 million.

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

The Group's results for 2Q2020 and HY2020 are generally in line with the Company's profit guidance announcement dated 5 August 2020.

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.

As at 30 June 2020, the Group achieved utilisation rate of 85.8% in 2Q2020 (compared to 1Q2020 of 86.3%) compared to 2Q2019 of 84.2% (compared to 1Q2019 of 72.3%), with outstanding chartering order books of US\$66.6 million with respect to firmed contracts in the Middle East until September 2022, with an additional US\$68.1 million assuming that the respective vessels' extension options are exercised.

While global oil prices had stabilised from their extreme volatility exhibited earlier in the year, they continue to remain subdued to currently about US\$45 per barrel for international Brent crude compared to about US\$60 per barrel at the start of the year. Coupled with the uncertainty emanating from the COVID-19 pandemic, the tightening of budgets of oil companies as well as the existing oversupply of vessels leading to intense competition, the market is expected to remain extremely challenging and are expected to impact the Group's business from the next reporting period.

The Group will continue to work to mitigate these impacts by engaging charterers more closely and enhancing vessel utilisation. The Group expects the challenging market environment to be protracted. In view of this development, the Group intends to working closely with its stakeholders to manage its working capital requirements.

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 Audit Committee of the Company ("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 of the Catalist Rules) | 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) |
|---------------------------------|---|--|
| Wong Siew Cheong ⁽¹⁾ | US\$222,396 (Approximately S\$309,847) | - |
| Kum Soh Har ⁽²⁾ | US\$91,000 (Approximately S\$126,783) | - |

Notes:

- (1) As at 30 June 2020, Mr. Wong Siew Cheong, the Executive Director and CEO, had provided an aggregate of US\$7.3 million loan to the Group (the "Loan") where the Loan is unsecured, interest-bearing at interest rate of 6.0% per annum, and advances of US\$0.8 million which is unsecured, non-interest bearing, both sums to be settled in cash.
- (2) As at 30 June 2020, Mr. Kum Soh Har, Michael, the Non-Executive Non-Independent Chairman, had provided an aggregate of US\$3.0 million shareholder advance (the "Advance") through Saeed Investment Pte. Ltd., the Controlling Shareholder of the Company, to the Group where the Advance is unsecured, interest-bearing at interest rate of 6.0% per annum, and is to be settled in cash.

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 2020 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 2020