



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 2018

- RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”)

The board of directors (the “**Board**” or “**Directors**”) of Atlantic Navigation Holdings (Singapore) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement made on 8 April 2019 (the “**Announcement**”) with regard to the Emphasis of Matter as contained in the Independent Auditor’s Report on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December (“**FY**”) 2018.

Unless otherwise defined herein, all capitalized terms shall have the same meanings ascribed to them in the Announcement.

The Board would like to draw the attention of shareholders to the following responses that had been provided by the Company in relation to queries raised by the SGX-ST on the Announcement:

SGX Query 1

Please elaborate on how the Company ‘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’ to address the net current liability position of the Group of US\$25.9 million as at 31 December 2018.

The Management expects to address the net current liability position of the Group taking into consideration the following factors:

1. With the delivery of the 7 new-built vessels progressively in FY2018 to fulfil long-term contracts, the Group’s performance is expected to improve in FY2019 over FY2018 as previously announced, the operating cashflows in FY2019 is expected to improve as compared to FY2018 where net cash flows generated from operating activities in FY2018 amounted to US\$15.0 million.

2. The net current liability position of US\$25.9 million will be reduced to US\$22.9 million taking into consideration the loan deferment of US\$2.5 million and sale of a vessel for US\$0.5 million in March 2019 (See SGX Query 2).
3. Additional financing from other stakeholder of US\$1.5 million in the form of short-term shareholder advance was obtained from the controlling shareholder in March 2019.
4. Other avenues, if needed, include obtaining financing from banks given the Group's expected improving performance in FY2019 and current non-excessive use of gearing, terming out of loans as well as utilizing the Group's two unencumbered vessels with an aggregate net book value of US\$15.7 million at 31 December 2018.

In view of the above factors, the Management is reasonably confident that the Group 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, as elaborated below:

A. Inherent skew-ness in calculation of net current position as all of the Group's marine assets are classified as non-current assets

With the Group's operations in the offshore oil and gas marine logistics industry, the Group's main assets are marine vessels which are long-lived assets in nature and hence these vessels are all classified as non-current assets. The marine vessels are financed predominantly by long-term loans. However, from an accounting standard point, the portion of the long-term loans that needs to be repaid within the next 12 months are classified as current liabilities. Accordingly, at the initial recognition of the vessel assets and the loan liabilities, the Group will be recording additional current liabilities while the vessel assets are classified as non-current assets. To put into perspective, the Group has been in net current liability position since FY2014 but the net current liability position in FY2018 should be evaluated in the context of improving circumstances of a larger assets base of the Group at no increase in gearing with overall non-excessive gearing ratio as well as improving performance and significant cash flows generated from operating activities as described below.

B. Significant improvement in net cash flows generated by the Group in FY2018 compared to FY2017 with the Group expecting improving operations in FY2019 barring unforeseen circumstances

As disclosed in the unaudited financial results of the Group released on 1 March 2019, "Barring unforeseen circumstances, the Group expects its performance to improve for the next 12 months mainly due to the increase in number of owned vessels and sustained utilization rates across the enlarged fleet".

As disclosed in previous announcements, the Group had taken delivery of the 7 new-built vessels progressively in FY2018 to fulfil long-term contracts with a Middle East National Oil Company (which are currently all fully deployed). With the delivery of the vessels, there is no capital expenditure required in FY2019.

There is a significant improvement in net cash flows generated from operating activities which swung from a negative US\$2.7 million in FY2017 to positive US\$15.0 million in FY2018. With the improving performance expected in FY2019 as disclosed above, barring unforeseen circumstances, the Group expects further improvement in the net cash flows generated from operating activities in FY2019 compared to FY2018 which would be important in the overall context of reducing the total borrowings and easing liquidity conditions of the Group.

C. Non-excessive use of leverage

The property, vessels and equipment of the Group as at 31 December 2018 of US\$179.7 million consist predominantly of vessel values in aggregate of US\$178.5 million, whilst the total loans and borrowing in aggregate was US\$83.0 million and US\$90.4 million including shareholder loans (which is reflected as Other Payables in Non-Current Liabilities in the Balance Sheet). On this basis, the total loans and borrowings to vessel asset value ratio is about 46.5% excluding shareholder loans and 50.6% including shareholder loans as at 31 December 2018.

The calculation of Gearing Ratio is disclosed on page 119 of the Annual Report 2018 (“**AR2018**”) would indicate that ratio is fairly constant at 57% as at 31 December 2018 and 31 December 2017 despite the increase in value of marine vessels in the Balance Sheet as at 31 December 2018 compared to 31 December 2017.

The Company is of the view that the use of leverage is not excessive as at 31 December 2018, and coupled with improving performance and significant cash flows generated from operating activities, there is scope to ease the liquidity conditions of the Group with the support of its principal bankers including potential refinancing, terming out, etc., if need be.

D. Support from the principal bankers and other stakeholders

The Group is in regular discussions with its principal bankers and taking into consideration of the factors above, especially in relation to improving performance, sustained utilization of vessels and significant portion of the vessels backed by long-term contacts and non-excessive use of gearing, it is of the view that the Group can continue to receive the support of its Group’s principal bankers as evident in the past with extension of tenure of term loans with Maybank Singapore in April 2017 and the recent terming-out of the short term loans by the other principal banker.

Mr Kum Soh Har, Michael (“**Mr Kum**”), the Non-Executive Non-Independent Chairman, through Saeed Investments Pte. Ltd., had injected US\$26 million in a cash-for-equity investment in the Company for 50.2% stake in the Company which was completed in December 2018. Mr Wong

Siew Cheong, Bill ("**Mr Wong**") continues to be significant owner of about 40% of the Company. Mr Kum has been supportive of the Group's working capital requirement as evident with the recent funding of US\$1.5 million of short-term shareholder advance while Mr Wong continues to maintain his US\$7.3 million shareholder loan in the Group and would not be requesting for the return of the shareholder loan in the near future, and not least until the cash flows position of the Group has stabilized.

E. Unencumbered vessels of the Group which could be monetized

There are currently 2 vessels which are not mortgaged to banks with an aggregate book values of US\$15.7 million as at 31 December 2018. As disclosed in the Announcement (in Note 36 to the the Financial Statements for FY2018 ("**FS2018**")), the Group is exploring options on these other vessels which are not subject to encumbrances for the funding of working capital and other working requirements, with the intention of monetizing the assets to ease the liquidity condition of the Group if need be.

SGX Query 2

As a result of development in Note 36(a) to the FS2018, how much of the current loans payable is deferred to non-current? Taking into account the developments from the events occurring after the reporting period (in Note 36 to the FS2018), what is the Group's current net asset/liability position?

With respect to Note 36 to the FS2018 on events occurring after the reporting period, the impact on the 3 events on the Net Current Position as at 31 December 2018 is illustrated below:

Item	Expected Impact on Net Current Position	As At 31 December 2018 (In US\$'000)		
		Current Assets	Current Liabilities	Net Current Position
	As currently reflected without adjustment	21,396	47,300	(25,904)
(a)	<p><i>The Group has procured amendments to the repayment terms of a short-term loan facility from one of its principal bankers in March 2019. In addition, the principal banker had also in March 2019 deferred the cash reserve build-up requirement with respect to the respective debt service ratio clause in two of its other loans disbursed to the Group starting from end August 2019 and end Sept 2019 respectively.</i></p> <p>Response: The short-term loan principal is US\$5.0 million, with equal instalment payments over 12 months, or about US\$416,667 per month. On the basis of the deferral of 6 months, that amount deferred is US\$2.5 million.</p>	-	(2,500)	2,500
(b)	<p><i>The Group had procured a short-term shareholder advance of US\$1.5 million in March 2019.</i></p> <p>Response: The short-term shareholder advance in cash is used to make payment to a trade creditor. While there is an increase in short-term loan, there is a corresponding decrease in current trade liabilities. There is hence no impact on the net current position.</p>	-	-	-
(c)	<p><i>The Group has sold its one of its two remaining deck cargo barges AOS 104 which is not subject to encumbrances in March 2019 which is more than 11 years old and for US\$0.5 million.</i></p> <p>Response: The sale proceeds will be used to fund the working capital to pay trade creditors.</p>	-	(500)	500
	As adjusted:	21,396	44,300	(22,904)

BY ORDER OF THE BOARD

Wong Siew Cheong
Executive Director and Chief Executive Officer

11 April 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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.

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