Atlantic Navigation Holdings (Singapore) Limited

STRENGTHENING RESOLVE
FOSTERING OUR RESILIENCE

ANNUAL REPORT 2019

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Corporate Information

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

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.

CORPORATE PROFILE

Atlantic Navigation Holdings (Singapore) Limited (the **"Company"** and together with its subsidiaries, the **"Group"**) is listed on the Catalist board of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**).

Our Group's business activities started in 1997 when Atlantic Maritime Services LLC was incorporated in Dubai, United Arab Emirates ("UAE") to provide ship repair, fabrication and other marine services to ship owners in the Middle East region. Our Group has since evolved from a ship repair, fabrication and other marine services provider to a ship owner and integrated offshore service provider.

As an integrated offshore service provider, we operate mainly out of our base in UAE, serving primarily customers in the Middle East region. We manage our operations mainly through our subsidiaries, namely Atlantic Maritime Group FZE (based in Hamriyah Free Zone, Sharjah, UAE) and Atlantic Ship Management LLC (based in Abu Dhabi, UAE).

We have two principal operating divisions, namely Marine Logistics Services ("MLS") and Ship Repair, Fabrication and Other Marine Services ("SRM"), which are vertically integrated to provide a comprehensive solution to our customers.

MARINE LOGISTICS SERVICES

Our MLS division provides ship chartering and technical management, principally for the offshore oil and gas as well as marine construction industries predominantly in the Middle East region, with expansion plans to include Africa and India.

Our marine logistics services are supported by our owned fleet of 20 vessels (including 1 vessel under Investment in Joint Operation) which comprise of 2 lift-boats (a.k.a. jack-up barges), 1 mid-sized DP2 PSV, 8 various AHTs, 4 maintenance utility vessels, 3 tugboats, 1 crew boat and 1 work utility vessel. Please see page 11 for a brief summary of our fleet and the vessel specifications.

In addition to the vessels from our owned and managed fleet, we also cross-charter vessels from third parties to service contracts which are secured to serve the specific needs of our customers.

In relation to the oil and gas industry, we provide services supporting different phases of the exploration, construction and development, production and post-production of offshore oil and gas.

SHIP REPAIR, FABRICATION AND OTHER MARINE SERVICES

Our SRM division provides afloat and drydock repair and maintenance services (supported by the workshop facilities at our premises at Hamriyah Free Zone) to customers in the shipping industry and for vessels utilised in our MLS division. Our SRM division also provides steel fabrication works for the ship repairs industry including mobile drilling rigs.

PROJECT WORK

We also work with other service providers in the offshore oil and gas business to bid for projects that leverage off the strengths and core competencies of the partners' businesses. As an illustration, Atlantic Ship Management LLC was involved in a consortium which was awarded a US$45.2 million project for the purchase and removal of decommissioned offshore and onshore facilities (the "Project") in April 2017 by a Middle Eastern National Oil Company ("MENOC").

In February 2018, the consortium completed mobilization, deployment of equipment, infrastructure setup and personnel for both the onshore and offshore phase of the Project. Operational work on the onshore phase of the Project started in March 2018, and operational work on the offshore phase started in May 2018. Physical aspect of the work execution has concluded and closure of the Project was deemed completed by the end of FY2019.

OUR CUSTOMERS

Over the years, our dedicated services have enabled us to establish strong and stable relationships with various leading oil companies, contractors, survey companies, ship owners, ship yards and charterers in the region.

We are a pre-qualified marine support and service provider to various MENOCs and oil majors such as Saudi Aramco, Abu Dhabi National Oil Company and its marine operating companies such as Bunduq Oil Company, Qatar Gas and Qatar Petroleum as well as international offshore Engineering Procurement Contractors (EPC) including J Ray McDermott, SAIPEM, Subsea 7 and NPCC.

CHAIRMAN'S STATEMENT

Mr Kum Soh Har, Michael,
Non-Executive
Non-Independent Chairman

Dear Shareholders,

I am pleased to inform you that revenue for the Group has grown by 30.1% to US$76.5 million for the financial year ended 31 December 2019 ("FY2019") as compared to US$58.8 million in previous financial year ("FY2018").

This was achievable mainly due to improved utilisation rates for the Group's owned vessels from an average of 70% in FY2018 to 83% in FY2019, full deployment of 7 new-builts delivered in FY2018 and chartered-in vessels. As a result, the Group generated gross profit of US$17.6 million in FY2019 compared to US$15.3 million in FY2018. Despite the revenue growth and increase in gross profit contribution, the gross profit margin for the Group has declined from 26.1% in FY2018 to 23.0% in FY2019. This was mainly due to increase in cost of services which included additional chartered-in vessels, which rose in tandem with revenue. This resulted in net profit after tax of US$2.4 million in FY2019 compared to net loss after tax of US$16.9 million in FY2018.

During the year, the Group focused on improving its cash flow position by pro-actively managing its working capital with customers and suppliers as well as working with principal bankers in financial restructuring. The Group had succeeded in re-profiling 2 previous loan facilities which comprised 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. These loans were merged into a new Medium Term Loan facility of US$9.5 million and termed out with maturity in May 2025. The Group will continue to assess and review its financial strategy and work with our bankers.

For the financial year ending 31 December 2020 ("FY2020"), I saw the world battling with a global pandemic, COVID-19, which has caused an unprecedented impact on humanity and the fluctuation of oil prices that will affect current business operations.

As I pen this, the impact of this pandemic on the Offshore Support Vessels ("OSV") market is challenging and uncertain. Given how dynamic the current situation is, the Group is ensuring we remain vigilant to these changes and taking the necessary precautions to protect our business, our staff and crew.

On this note, I wish to express my heartfelt gratitude to the offshore crew, who has demonstrated a high level of conscientiousness, forbearance and has continued to work tirelessly notwithstanding the restrictions placed on our operations in light of the pandemic.

On behalf of the Board, I would like to express my sincere thanks to our hardworking management and staff for their commitment and dedication to the Group, our customers for their continued trust and support, our business partners and suppliers for their steadfast support in the execution of our contracts and projects, our bankers for their continued trust and support of the Group's financial needs and our board members for their stewardship and guidance during the year.

Lastly, I thank all shareholders for your patience and continued support in the Group. The Group will continue to work hard on new challenges, to improve and protect operating cash flow and shareholder value in the years ahead.

Mr Kum Soh Har, Michael
Non-Executive Non-Independent Chairman

CEO'S STATEMENT

Dear Shareholders,

At the time of writing this message, most of us are experiencing uncharted circumstances in the face of the unprecedented impact of the COVID-19 on a global scale. Global oil consumption are estimated to have shrunk by almost 30% resulting in a massive build up in surplus stock leading to a steep decline in oil prices. The extent of its impact on our business moving forward is not immediately clear but is expected to be significant.

Mr Wong Siew Cheong, Bill, Executive Director and Chief Executive Officer

I would first provide the financial and operational performance for FY2019, and later discuss our focuses for FY2020 and how we will work to achieve them with the foundation that we had established.

FINANCIAL PERFORMANCE

The Group's revenue for the Marine Logistics Services ("MLS") segment for FY2019 increased by US$17.7 million or 30.6%, from US$57.8 million in FY2018 to US$75.5 million in FY2019. The increase in revenue was mainly attributable to increase in higher utilisation of owned vessels including all 7 new vessels being delivered and deployed in FY2019 and cross charter-in of vessels from third parties. The Group's revenue for the Ship Repair, Fabrication and Other Marine Services ("SRM") segment for FY2019 increased by approximately US$49,000 or 5.0% compared to FY2018 mainly due to the higher level of repairs works undertaken on third party vessels. The segment was mainly involved in maintenance, repairs and overhaul works for its owned vessels.

The Group reported gross profit of US$16.6 million for the MLS segment during FY2019, compared to a gross profit of US$14.6 million in FY2018. However, MLS segment recorded a lower gross profit margin of 22.0% in FY2019 compared to 25.3% in FY2018 mainly due to lower contribution and margin contributed from cross charter vessels, expenditure incurred during scheduled dry docking and repairs as well as preparation for new charters secured. The Group reported gross profit of US$0.9 million for the SRM segment during FY2019, compared to gross profit of US$0.7 million in FY2018. The increase in gross profit of US$0.2 million in FY2019 was mainly due to higher level of repair works undertaken on third party vessels.

Other income for FY2019 was mainly due to reversals of excess provision and sale of scrap.

Marketing and distribution expenses in FY2019 decreased by US$0.4 million or 60.4% as compared to FY2018 because of higher exhibition and consultancy expenses in FY2018. General and administrative expenses for FY2019 decreased by US$0.1 million or 2.6% as compared to FY2018 because of decrease in salaries and other benefits and reversal of bonus provision offset by increase in visa and recruitment expenses and depreciation of right-of-use of an asset in FY2019.

Finance costs decreased by US$1.0 million or 12.8% to US$6.7 million in FY2019 as compared to US$7.7 million in FY2018 corresponding to lower amount of bank borrowings due to repayments made during the year. Other expenses in FY2019 related to net loss on sale of vessels. Other expenses in FY2018 relates mainly to the impairment losses on certain vessels.

The withholding tax expenses which relates to withholding tax on foreign charter income was US$1.9 million in FY2019 compared to US$1.6 million in FY2018.

The Group recorded a profit before tax of US$2.4 million in FY2019 compared to a loss before tax of US$16.9 million in FY2018 (which included impairment loss of vessels at US$16.4 million) mainly due to an increase in gross profit, lower finance costs and lower marketing expenses, partially offset by decrease in share of results of a joint venture, loss on disposal of joint operation and higher withholding tax.

There is minimal income tax expense for these periods as the Group's operations are predominantly conducted through subsidiaries which are incorporated in jurisdictions where such taxes are either exempted or not applicable.

FINANCIAL POSITION

Non-current assets decreased by US$11.9 million from US$181.0 million as at 31 December 2018 to US$169.1 million as at 31 December 2019 mainly due to depreciation charges of US$9.5 million, disposal of vessels of US$1.7 million, reduction of asset value from disposal of a joint operation of US$1.5 million, disposal of investment in a joint venture of US$0.7 million, partially offset by dry docking expenses of US$1.3 million and right-of-use asset for a long-term lease of land of US$0.2 million.

Current assets increased by US$5.6 million from US$21.4 million as at 31 December 2018 to US$27.0 million as at 31 December 2019. This was mainly due to increase in trade receivables of US$8.7 million mainly due to delay in payments from end charterers and contractual retention amounts accumulated for the year from an end charterer which is expected to be paid in first quarter of FY2020, increase in inventories of US$0.4 million, partially offset by decreases mainly in cash and bank balances (including restricted cash) of US$2.8 million as well as advances, deposits and other receivables of US$0.4 million.

Non-current liabilities reduced by US$7.6 million from US$70.8 million as at 31 December 2018 to US$63.2 million as at 31 December 2019. This was mainly due to repayment of term loans of US$9.6 million partially offset by the increase in amounts due to shareholders of US$1.3 million, increase in the loss on fair value changes in derivatives of US$0.6 million and lease liabilities related to a long-term land lease of US$0.1 million.

Current liabilities decreased by US$0.3 million from US$47.3 million as at 31 December 2018 to US$47.0 million as at 31 December 2019, primarily due to decrease in loans and borrowings of US$4.4 million, accruals and other payables of US$2.8 million, and other non-financial liabilities of US$0.6 million, partially offset by increases in trade payables of US$3.6 million, amount due to shareholders of US$3.8 million which are the shareholder advances of US$3.0 million by Saeed Investment Pte. Ltd. and US$0.8 million by CEO.

Net current liabilities decreased by US$5.9 million from US$25.9 million as at 31 December 2018 to US$20.0 million as at 31 December 2019, primarily due to increase in current assets of US$5.6 million and decrease in current liabilities of US$0.3 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 and other stakeholders.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flows generated from operating activities amounted to US$5.6 million in FY2019. This was mainly due to operating cash flows before changes in working capital of US$20.1 million, partially offset by negative changes in working capital of US$6.6 million and interest paid of US$7.9 million.

Net cash flows generated from investing activities of US$1.8 million in FY2019 was mainly due to proceeds from disposal of a joint operation of US$0.9 million, distribution from a joint venture of US$0.9 million and net proceeds from the disposal of 3 vessels of US$1.3 million, but partially offset by capitalisation of dry-docking expenses of US$1.3 million.

Net cash flows used in financing activities of US$10.9 million in FY2019 was mainly due to principal repayment of bank loans of US$31.6 million, increase of US$0.3 million in bank deposits pledged and restricted cash and repayment of lease liabilities of US$0.1 million, partially offset by proceeds from loans and borrowings of US$17.3 million, shareholder advances of US$3.0 million by Saeed Investment Pte. Ltd. and US$0.8 million by CEO.

OPERATIONAL REVIEW

While charter rates in this region continued to be competitive, we managed to enhance our fleet utilisation in 4Q2019 to 92% vs 3Q2019 of 81% and compared to 4Q2018 of 85% vs 3Q2018 of 75%. The overall utilisation in FY2019 came in at 83% which is substantially higher as compared to FY2018 of 70%.

For FY2019, we are heartened that we managed to renew our presence in Qatar and strengthen our market share in Oman with success in securing new clients in these geographical markets. We strive to strengthen our relationships with existing and new clients in these markets which we foresee strong growth potential.

Since the signing of the long-term charter contracts for 10 vessels with a MENOC as first announced in May 2016, fulfillment of these contracts had started since July 2016 which is currently supported by 7 new-builts in 2018, together with 1 existing owned and 2 chartered-in vessels. These vessels continued to operate at almost full utilisation rates in FY2019 except when the existing owned and one of the two chartered-in vessels were taken out for special surveys during the year.

In spite of the challenges resulting from the effect of COVID-19 and declining oil prices, we have managed to continuously delivering our contractual obligations to the satisfaction of the client. The duration of the 10-vessel contract is expected to run until September 2022 with possibility of another two years extension.

Apart from the 10-vessel fleet on long-term charters, both the liftboats in our fleet were gainfully deployed in FY2019 with AOS Maintainer I and Delta 22 fullfiling a full year and eight months charter contracts respectively. Other vessels in our fleet were mainly either on projects or spot to mid-term contracts.

As announced by the Company on 25 April 2017, the Company and its Korean Consortium partner secured a US$45.2 million project with a MENOC for the purchase and removal of decommissioned offshore and onshore facilities. Physical aspects of the work execution had successfully completed and the project was deemed completed by the end of FY2019.

OUTLOOK

Global oil prices can be expected to continue to be subdued and volatile with significant curtailment of demand due to the ongoing COVID-19 pandemic and the lag in supply cuts which are materially insufficient to offset against the drastic drop in demand where such supply cuts are often subject to the political inter-play and negotiations amongst the global countries with large global production and export exacerbated by the excess tonnages in the offshore market.

CEO'S STATEMENT

While our operations have not been materially impacted with an indicative utilisation rate of about 85% for 1Q FY2020, we are closely monitoring the global developments. We will continue to engage in discussions closely with our charterers as well as trade suppliers to sustain the utilisation rates and to better align the collections and payments to sustain operations.

We are also closely monitoring the development of the COVID-19, and will continue take the all necessary appropriate measures with regard to health and hygiene precautions equipped with personal protective equipment as well as observing minimal social interaction and ensuring physical distancing in isolation-like scenarios onshore as well as offshore in compliance with government and regulatory safety promulgations with the aim of minimising infections and the impact on the Group operations.

In addition, the Group continues to monitor 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.

STRATEGIES

With the global challenges and outlook fraught with uncertainties, we will continue to place utmost focus to sustain our enhanced level of utilisation which would include ensuring that our existing long term contracts are fulfilled without disruptions. Having entrenched our presence in Saudi Arabia and UAE with our existing clients, we will continue to interact closely with them to see how we could support them further for current and potential new projects.

Concurrently we will seek to explore opportunities to expand our presence in Qatar and Oman leveraging on current contracts in these markets. To achieve further diversification in geographical markets, we are focusing on India which potentially offers seasonal opportunities to help enhance our fleet utilisation.

In anticipation of tougher times ahead, we will focus harder on our operational efficiency and cost effectiveness to maintain our competitiveness if not ahead of our competition.

In addition to ship-chartering strategies, we intend to build on recent experiences acquired in EPC project execution and fulfilment and subsea contracts to enable us to explore further opportunities in such fields and widen our scope of services to our clients.

DIVIDENDS AND PAYOUT

No dividend had been declared or recommended for FY2019 in view of the operational and financial requirements of the Group.

MY EXPRESSION OF DEEPEST GRATITUDE

The severe effects of COVID19 on the global economy as well as on the lives of individuals have been unprecedented and its continuing impact is unpredictable.

I would like to express my profound gratitude to the crew on board our vessels for their professionalism in braving the harsh working conditions they have to endure while overcoming loneliness and home-sickness from prolonged periods of separation due to general crew change restrictions.

Also, to our onshore colleagues, all of whom are expatriates, I thank you all for your resilience and tireless contribution under tremendous mental stress of being separated from your families and loved ones. Your contribution is essential in implementing the Company's Business Continuity Plans as various countries are under economic and social lock-downs.

On their unrelenting resolve, I salute them. Indeed, what we have accomplished in FY2019 would not have come to fruition without their hard work and team efforts. I look forward to continue working with them to overcome the challenging times ahead.

My special appreciation goes to all our business partners and other stakeholders especially our clients, bankers, suppliers for their undiminished support and trust under these tumultuous times. These relationships are invaluable to us and I look to further develop them in FY2020 and the years ahead.

Finally, I wish to thank the Board of Directors, especially the Chairman, for their sharing their vast experience and trust in the management and staff. With their invaluable contribution and guidance, we look forward to steer the Group towards brighter days ahead to reward our Shareholders for their unrelenting support.

Mr Wong Siew Cheong, Bill
Executive Director and CEO

BOARD OF DIRECTORS

Mr Kum Soh Har, Michael

Non-Executive Non-Independent Chairman

Age: 75
Country of principal residence: Singapore
Date of last re-election: 26 April 2019

Mr Kum was appointed to the Board on 21 December 2018 as the Non-Executive Non-Independent Chairman and a member of the Audit Committee and Remuneration Committee.

Mr Kum has over four decades of hands-on experience in the offshore support vessels ("OSV") market, extending from the Middle East, India, South East Asia and Australia. He commenced his career in Singapore in 1969 working for an Australian OSV company headquartered in Fremantle, Western Australia (with operations in Singapore). He subsequently founded Offshore Equipment Pte Ltd in 1976 to charter OSVs to the oil and gas industry in the Middle East (including Egypt), India, Australia (including the North West Shelf) and South East Asia, which was later renamed Miclyn Offshore Pte Ltd ("Miclyn Offshore"). Miclyn Offshore was later merged with Express Offshore Transport Pte. Ltd. to form Miclyn Express Offshore Pte Ltd ("MEO"), which was listed on the Australian Stock Exchange ("ASX") in 2010. Mr Kum served as Chairman of Miclyn Offshore and MEO, and was responsible for the strategic planning and development of the group's business and was instrumental to the expansion and growth of the group. He retired as Chairman of MEO post-listing on the ASX. Mr Kum was previously a majority shareholder of ASX-listed Mermaid Marine Australia Limited (which is now known as MMA Offshore Limited) and is currently its substantial minority shareholder.

Since 2009, Mr Kum founded the hotel real estate platform, M&L Hospitality, a leading international hospitality real estate investment platform with hotel properties across Asia Pacific and Europe. He currently serves as Chairman to M&L Hospitality.

Mr Kum obtained a Certificate in Higher Commercial Law and Higher Costing (Cost Accounting) from the London Chamber of Commerce in 1966.

Ms Kum Wan Mei, Gwendolyn (Gan Wanmei)

Alternate Director to Mr Kum Soh Har, Michael

Age: 46
Country of principal residence: Singapore

Ms Kum was appointed as an Alternate Director to Mr Kum Soh Har, Michael on 7 August 2019.

She began her career in the offshore marine sector in 2000 as Marketing Manager at Miclyn Offshore Pte Ltd, which later merged with Express Offshore Pte. Ltd. to form Miclyn Express Offshore Pte Ltd. During her tenure there, she was responsible for chartering the company's fleet.

In 2010, she joined Pacc Offshore Services Holdings Ltd, as Assistant General Manager, managing the chartering and operations of 40 vessels within the group's fleet of 120 vessels. In 2016, she was appointed as Divisional Director, overseeing the division and responsible for expanding the business.

She currently sits on the board of directors of Saeed Investment Pte. Ltd. as well as Koleth Winbuild Pte Ltd, Ran Barge DIS and Ran Barge AS.

Ms Kum attended Monash University in Melbourne, where she graduated with a Bachelor's degree in Business (Marketing).

Mr Wong Siew Cheong, Bill

Executive Director and Chief Executive Officer

Age: 67
Country of principal residence: United Arab Emirates
Date of last re-election: 26 April 2019 and due for re-election at the forthcoming AGM

Mr Wong was appointed to the Board on 31 July 2012. He is responsible for the strategic planning and development of the Group's business and spearheading the expansion and growth of the Group. Mr Wong is the founder of the Group and has more than 40 years of experience in the marine chartering and shipbuilding, repair, fabrication and maintenance business. Prior to establishing the Group, Mr Wong served as general manager of Selat Marine Service Co. Ltd. from 1991 to 1996, where he was responsible for the overall marketing, technical management and operations of their offshore vessels. Prior to joining Selat Marine Service Co. Ltd., Mr Wong was the shipyard manager at Marine Engineering Services Co (LLC) in Sharjah, UAE, where he was in charge of running the shipyard's operations and expansion program. Mr Wong had also worked with Qubaiai Int'l Est. Abu Dhabi, and the Keppel Group in Singapore.

Mr Wong graduated with a Bachelor of Mechanical Engineering from the University of Singapore in 1977.

BOARD OF DIRECTORS

Mr Gwee Lian Kheng

Lead Independent Director

Age: 79
Country of principal residence: Singapore
Date of last re-election: 26 April 2019

Mr Gwee was appointed to the Board on 4 March 2019 as the Lead Independent Director, Chairman of the Audit Committee and the Nominating Committee, and a member of the Remuneration Committee.

Mr Gwee was the Group Chief Executive and Executive Director of UOL Group Limited, a listed property and hospitality company. He has served the UOL Group for more than 45 years prior to his retirement on 31 January 2019. Mr Gwee was also the Non-Executive Director of United Industrial Corporation Limited until his resignation on 25 April 2019.

Mr Gwee is an accountant by profession and is a fellow member of the Chartered Institute of Management Accountants (United Kingdom), the Association of Chartered Certified Accountants (United Kingdom) and the Institute of Singapore Chartered Accountants. He graduated with a Bachelor of Accountancy (Honours) from the University of Singapore in 1970.

Mr Gwee received the Asia Pacific Hotelier of the Year Award in 2003 and the Hotel Legends Hall of Fame Award at the 11th Australian New Zealand Pacific Hotel Industry Conference in 2011. He was awarded the Pingat Bakti Masyarakat (PBM) Public Service Medal and the Bintang Bakti Masyarakat (BBM) Public Service Star in 1994 and 2002 respectively.

Mr Wong Chee Meng, Lawrence

Independent Director

Age: 52
Country of principal residence: Singapore
Date of last re-election: 29 June 2018 and due for re-election at the forthcoming AGM

Mr Wong was appointed to the Board on 15 March 2018. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee. He is the Managing Director of Equity Law LLC and also heads its Corporate and Securities Practice. He is an experienced and established corporate practitioner and was previously a partner of reputable law firms. He co-headed the Corporate and Securities Practice of his previous firm and also headed its subsidiary, an approved SGX continuing sponsor.

His areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, corporate restructuring, joint ventures, corporate and commercial contracts, regulatory compliance and corporate governance advisory and corporate secretarial work. He has led numerous initial public offerings, reverse take-overs, secondary fund raising and cross-border merger and acquisition exercises.

Mr Wong graduated from the National University of Singapore in 1991 with an Honours degree in Law, on a scholarship from the Public Service Commission of Singapore. Subsequently, he has accumulated an extensive working experience in both the public and the private sectors of the legal profession. He is an advocate and solicitor in Singapore and a solicitor in Hong Kong SAR. He has been recognised in leading legal publications such as IFLR 1000, The Legal 500 Asia Pacific for Corporate and M&A and Acquisition International.

Mr Wong was a director of several public listed companies in Singapore and currently sits on the board of directors of Eindec Corporation Limited.

Mr Sam Chee Leong

Independent Director

Age: 72
Country of principal residence: Singapore
Date of last election: 26 April 2019

Mr Sam was appointed to the Board on 21 December 2018. He is a member of the Audit Committee and the Nominating Committee.

Mr Sam started his career as a Marine Surveyor with the American Bureau of Shipping ("ABS") on 15 July 1973. He garnered vast experience in various aspects of the shipping and offshore industry over the next 43 years, and retired on 31 December 2016 as Vice President of Service Delivery. Over these four decades, Mr Sam held various management positions in the ABS Pacific Division, including a five-year stint in China as Vice President/ Country Manager responsible in the operations, business and financial aspects of ABS.

Mr Sam has a Mechanical Engineering Diploma from the Singapore Polytechnic in 1970 and a Bachelor of Engineering Management from the University of Western Sydney in 1999. He also holds various certificates including a Graduate Certificate Project Management from RMIT.

EXECUTIVE OFFICERS

Mr Hsu Chong Pin

Chief Financial Officer

Mr Hsu joined the Group in January 2019 as the Chief Financial Officer, and is responsible for overall financial management as well as the administrative management of the Group. Prior to joining the Group, Mr Hsu was the Chief Financial Officer of EMAS Offshore Limited from January 2016 to December 2018, and before that, the Head of Business Development and Investor Relations at Marco Polo Marine Limited from March 2012 to December 2015.

Mr Hsu has more than 19 years of experience in accounting and finance, corporate finance, financial advisory, business development and investor relations across various industries including offshore oil and gas, fund management and property real estate. Mr Hsu completed his Master of Philosophy in Management from the University of Cambridge in 1999 and a Bachelor of Science in Economics and Finance (First Class Honours) from the University of York, UK in 1998.

Mr Mohammad Reza Sadeghi

Project Director

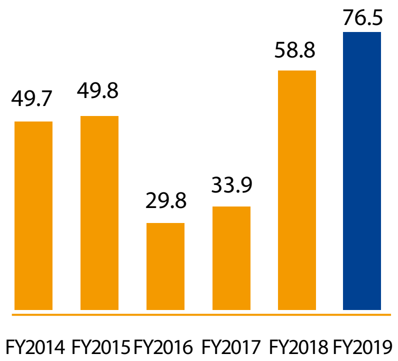
Mr Sadeghi is currently the Project Director with responsibilities in the day-to-day operations of the Group's SRM division, as well as in the oversight and execution of special projects. Prior to joining the Group, Mr Sadeghi was a technical operation manager of the AQUA Group in Dubai, and between 1999 and 2001, Mr Sadeghi was a technical operation manager of Irano-Hind Shipping Co., a joint venture between Islamic Republic of Iran Shipping Lines Co ("IRISL") and Shipping Corporation of India. Mr Sadeghi had also held various technical, General Manager, Board Member of Marine Services & Eng Co. (IRISL subsidiary company) and other managerial roles in IRISL, including responsibility for new vessels in IRISL's Guangzhou shipyard from 1985 to 1999.

Mr Sadeghi graduated with a Bachelor of Science in Marine Engineering in 1985 from the Marine Engineering College of Calcutta, India, and attained the certificate of competency of Chief Engineer in 1993.

GROUP FINANCIAL HIGHLIGHTS

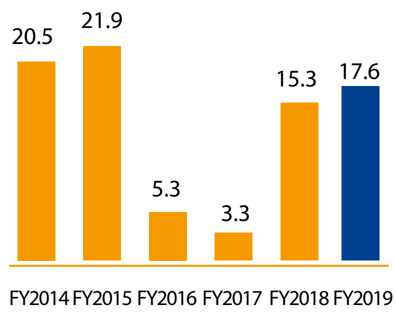
Group Revenue
(US$ million)

30.1% increase from US$58.8 million in FY2018 to US$76.5 million in FY2019.



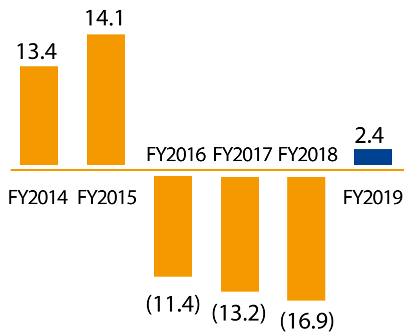
Group Gross Profit
(US$ million)

14.4% increase from US$15.3 million in FY2018 to US$17.6 million in FY2019.



Net Profit/(Loss) after Tax
(US$ million)

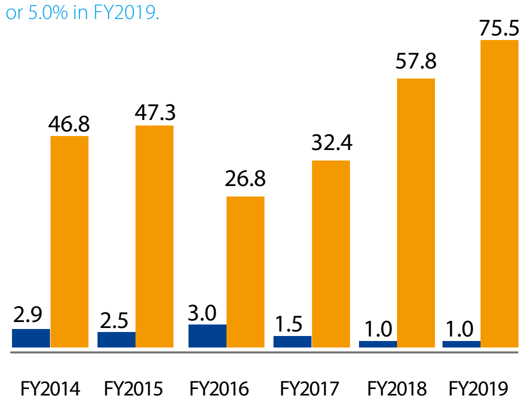
Improvement from a loss of US$16.9 million in FY2018 (which includes US$16.4 million impairment loss on property, vessels and equipment) to a profit of US$2.4 million in FY2019.



Revenue by Segments
(US$ million)

Revenue for the MLS division increased by US$17.7 million or 30.6% in FY2019.

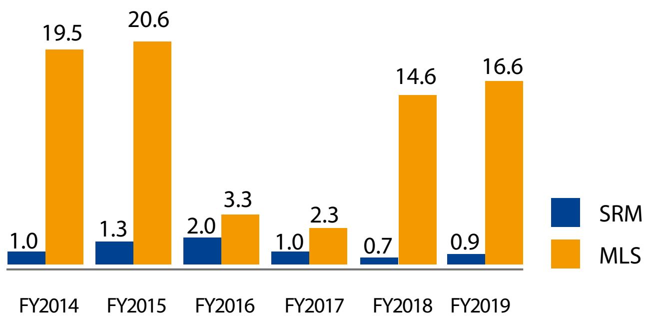
Revenue for the SRM division increased marginally by US$49,000 or 5.0% in FY2019.



Gross Profit by Segments
(US$ million)

Gross profit for the MLS division increased by US$2.0 million or 13.6% in FY2019.

Gross profit for the SRM division increased by US$0.2 million or 31.2% in FY2019.



Financial Indicators	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Basic Earnings/(Loss) per share (US$ cents)	5.14	5.39	(4.38)	(5.05)	(6.15)	0.46
Diluted Earnings/(Loss) per share (US$ cents)	5.07	5.30	(4.38)	(5.05)	(6.15)	0.46
Net Asset Value per share (US$ cents)	32.0	36.9	32.6	29.0	16.1	16.4
Return on Total Assets	16.0%	14.6%	(6.3)%	(7.4)%	(8.4)%	1.2%
Return on Shareholders' Equity	11.0%	10.8%	(13.3)%	(17.4)%	(20.1)%	2.8%
Net Gearing Ratio	27.7%	23.6%	52.0%	57.3%	57.0%	55.2%

VESSEL FLEET LIST

Young and Diversified Fleet for Different Phases of Offshore Oilfield Development

Average Age* - Overall	**6.1 Years**
Average Age* - Excluding the Utility/Supply/Tug vessels	**4.8 Years**

Jack-Up Accommodation Barge

Name of Vessel	Type	Size	Deck Area	Crane Capacity	Year Built / Rebuilt**
AOS Maintainer I	DP-1 Jack-Up Accommodation Barge	85.1m / 260 men	1200 sqm	Main: 190T	2015
				Aux: 20T	
Delta 22	Jack-Up Barge	46.00m / 92 men	700 sqm	Main: 45T	2013**
				Aux: 5.4T	

Platform Supply Vessel - DP2

Name of Vessel	BHP	Size	Deck Area	Crane Capacity	Year Built
AOS Neptune	6000	75.00m / 58 men	700 sqm	20T	2015

Recent New-built Vessels

Name of Vessel	Type	BHP	Deck Space	Crane Capacity	Year Built
AOS Vision	Maintenance Utility Vessel	2600	200 sqm/40 men	20T @ 4m; 30m Boom	2018
AOS Valor	Maintenance Utility Vessel	2600	200 sqm/40 men	20T @ 4m; 30m Boom	2018
AOS Venture	Maintenance Utility Vessel	2600	200 sqm/34 men	20T @ 4m; 30m Boom	2018
AOS Valiant	Maintenance Utility Vessel	2600	200 sqm/34 men	20T @ 4m; 30m Boom	2018
AOS Eagle	Work Utility Vessel	2600	175 sqm/30 men	10T @ 3.1m; 18.3m Boom	2018
AOS Sapphire	Shallow Draft AHTS	4800	360 sqm/26 men	4T @ 9m; 12m Boom	2018
AOS Emerald	Shallow Draft AHTS	4800	360 sqm/26 men	4T @ 9m; 12m Boom	2018

Anchor Handling Tug - Azimuth Stern Drive

Name of Vessel	BHP	Bollard Pull	Deck Area	Crane Capacity	Year Built
AOS Power	5500	70TBP	150 sqm	3T	2012

Anchor Handling Tug Supply Vessel - DP2

Name of Vessel	BHP	Bollard Pull	Deck Area	Crane Capacity	Year Built
AOS Victory	6400	80TBP	360 sqm	3T	2014

Anchor Handling Tug Supply Vessel - DP1

Name of Vessel	BHP	Bollard Pull	Deck Area	Crane Capacity	Year Built
AOS Triumph***	5150	65TBP	350 sqm	3T	2014
AOS Handler	5150	65TBP	350 sqm	NA	2010
AOS Hauler	5150	65TBP	350 sqm	NA	2010
AOS Provider	5150	65TBP	350 sqm	NA	2010

Crew Boat

Name of Vessel	BHP	Size	Deck Area	Crane Capacity	Year Built
AOS Swift	2 x 2400	27.00m / 35 men	100 sqm	25 knots	2015

Utility/Supply/Tug

Name of Vessel	Type	BHP	Size	Deck Area	Year Built
AOS Honour	Utility	3500	45.00m / 18 men accommodation and seating for 30	216 sqm	2006
AOS Star	Towing Tug	3200	36.00m / 40TBP	100 sqm	2008
AOS Energy	Towing Tug	3200	36.00m / 40TBP	175 sqm	2006

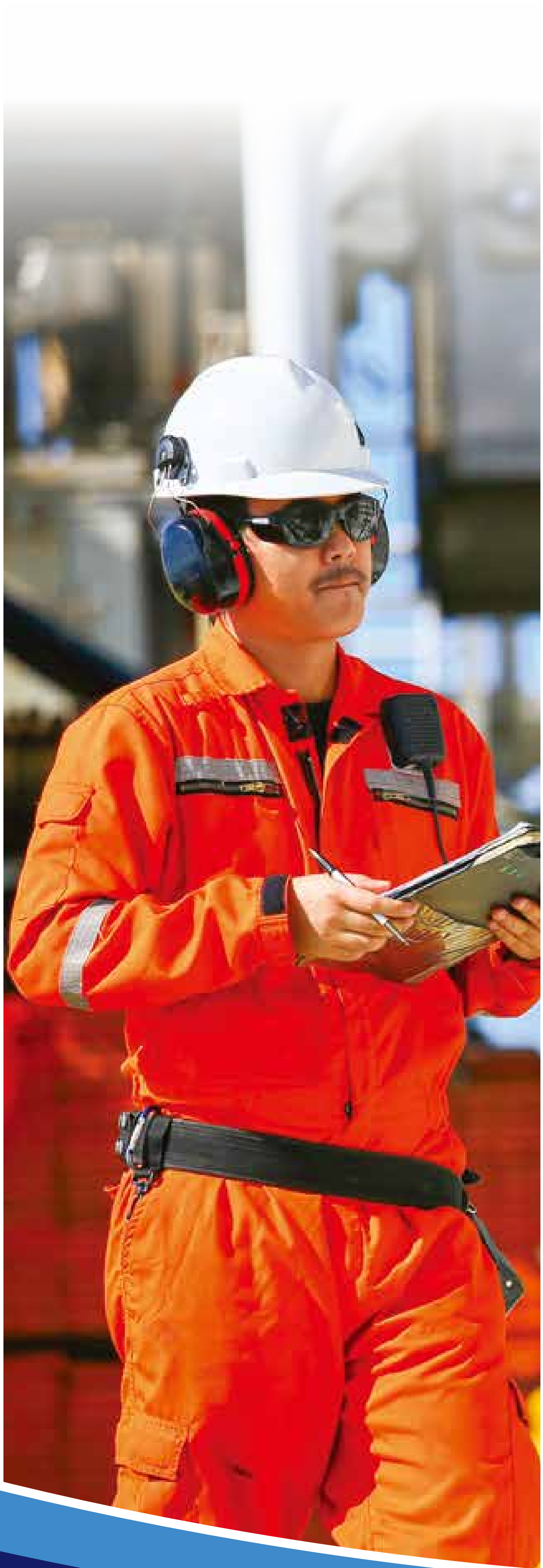
* Age of fleet estimated as at 31 March 2020
** Year rebuilt, with reference to Delta 22
*** Under management with 51% ownership under Investment in Joint Operations

SIGNIFICANT DEVELOPMENT MILESTONES

Date	Significant development/Milestones	Description	Reference
Jan-16	The Company secured a convertible loan of US$13 million for expansion with proceeds used to partially finance the purchase of liftboat, i.e. AOS Maintainer I. The vessel was delivered and started work since September 2016.	The Company had entered into a convertible loan agreement with SCF-VIII, L.P. ("SCF") pursuant to which SCF had extended to the Company a loan of a principal amount of US$13 million ("SCF Loan"), to partially fund the cash portion for the Company's purchase of a liftboat, i.e. AOS Maintainer I, and related mobilisation costs.	https://links.sgx.com/FileOpen/ANH_Convertible%20Loan%20Agreement.ashx?App=Announcement&FileID=384878
May-16	The Company secured US$236 million long-term charters for 10 vessels with a MENOC. Fulfilment of contracts started since July 2016 with progressive deployment of front runner vessels comprising of owned vessels and charter-in vessels.	The Company was awarded long-term charters for 10 vessels with a combined value of approximately US$236 million by a MENOC. The Group will supply 5 Maintenance/Work/Utility vessels and 5 Anchor-Handling Tug, Supply and Safety Standby vessels, of which 7 will be new builds. The vessels, on a firm five-year charter with a two-year extension option, will support the MENOC's operations in the Arabian Gulf.	https://links.sgx.com/FileOpen/ANH_Media_Release_Atlantic_Navigation_secures_USD236million_long_term_charters_for_10_vessels.ashx?App=Announcement&FileID=404692
Jun-16	Purchase of and commissioning to build 7 new vessels to support the long-term charters. First delivery of vessel in March 2018 and last of which in December 2018.	The Company signed Shipbuilding Agreements with a shipyard in the People's Republic of China for the supply of 5 Maintenance/Work/Utility vessels and 2 Anchor-Handling Tug, Supply and Safety Standby vessels at a total cost of approximately US$45 million. The vessels will, upon delivery, be deployed under firm five-year charters to support the operations of a MENOC in the Arabian Gulf.	https://links.sgx.com/FileOpen/Media_Release_Acquisition_of_7_new_vessels.ashx?App=Announcement&FileID=408372
Mar-17	The Company secured US$44 million charter for its liftboat, i.e. AOS Maintainer I, with a MENOC. Contract started in June 2017 and had since extended until end June 2019.	The vessel, on a firm one-year charter with two one-year extension options, will support the MENOC's operations in the Arabian Gulf.	https://links.sgx.com/FileOpen/ANHSL_Announcement_Maintainer_I.ashx?App=Announcement&FileID=443163
Apr-17	The Company received support from one of its principal bankers with the revision of repayment and extension of tenure of term loan revolving credit facilities of US$46 million until April 2023.	On 11 April 2017, the Company executed agreements to revise the repayment and to extend the tenure of term loans and revolving credit facilities of US$46 million with Maybank Singapore (the "Loan Facilities"). The Loan Facilities has been extended to an average of 8 years from an average of 4 years previously. The Group's loan principal repayment will be reduced by an aggregate of US$9 million over the next 3 years.	https://links.sgx.com/FileOpen/ANHSL_Announcement_Refinancing.ashx?App=Announcement&FileID=451549
Apr-17	The Group and its Korean Consortium partner secured a US$45.2 million project with a MENOC for the purchase and removal of decommissioned offshore and onshore facilities. Physical aspect of the work execution has concluded and closure of the project is expected to be fully completed by end April 2019.	The Company's subsidiary, Atlantic Ship Management LLC ("ASM"), and Oceanus Co. Ltd. Korea c/o Oceanus Co. Ltd. Abu Dhabi formed a consortium in which ASM had a 49% interest and had on 19 April 2017 been awarded a US$45.2 million project for the purchase and removal of decommissioned offshore and onshore facilities by a MENOC. ASM's interest in the consortium was subsequently reduced to 40% with the introduction of an additional partner in March 2018.	https://links.sgx.com/FileOpen/ANHSL_Announcement_Arzanah.ashx?App=Announcement&FileID=449871
Mar-18	The Group secured US$8.5 millon loan from its Middle East partner which is payable over 5 years to partially finance the cash portion and mobilization cost due for the 5 out of the 7 new vessels.	The Company's wholly-owned subsidiary, Atlantic Maritime Group FZE ("AMG"), had on 28 March 2018 entered into a loan agreement with Mr. Mubarak Abdullah Al-Suwaiket ("Middle East partner"), for the grant of a loan of a principal amount of US$8.5 million by the Middle East partner to AMG, maturing 365 days after the date of receipt by AMG of the loan amount. AMG had undertaken to repay the loan and the financial charges to the Middle East partner within 5 years commencing on the date on which the loan is received by AMG in 5 instalments.	https://links.sgx.com/FileOpen/ANH%20Announcement.ashx?App=Announcement&FileID=495279
Apr-18	AMG obtained a 7-year commodity term loan facility of up to US$29.8 million from its United Arab Emirates banker to finance the acquisition of the 7 new vessels.	AMG had on 3 April 2018 executed a 7-year Term Loan Facility of up to US$29.8 million (the "Facility") from its United Arab Emirates banker. The Facility will be utilized to finance the acquisition of 7 new vessels. The Company had drawn down US$20.4 million of the loan from the Facility to pay for the first batch of 5 out of 7 new vessels.	https://links.sgx.com/FileOpen/Announcement%20-%20Term%20Loan%20Facility%20-%20Final.ashx?App=Announcement&FileID=496441
Jul-18	Proposed subscription of 262,918,394 new ordinary shares in the share capital of the Company ("Subscription Shares") by Saeed Investment Pte. Ltd. ("Saeed Investment") to raise US$26 million, for majority 50.2% stake in the enlarged share capital of the Company.	On 15 July 2018, the Company had entered into a conditional share subscription agreement with Saeed Investment ("Subscription Agreement") pursuant to which the Company has agreed to issue and allot an aggregate of 262,918,394 Subscription Shares to the Saeed Investment, and Saeed Investment has agreed to subscribe for the Subscription Shares, at the subscription price of US$0.09889 per Subscription Share, for an aggregate amount of US$26 million.	https://links.sgx.com/FileOpen/ANH%20Announcement%20-%20Subscription%20Agreement%20-%20final.ashx?App=Announcement&FileID=516356

Date	Significant development/Milestones	Description	Reference
Oct-18	Delivery of the remaining 2 out of 7 new vessels to support the long-term charter contracts with a MENOC. Remaining firmed contract duration for the full 10-vessel marine spread is expected to least until end August 2022.	On 18 October 2018, the Company drawn down on the balance of US$9.4 million of the Facility to pay for the remaining 2 out of 7 new vessels. The Group has taken the delivery of these 2 vessels for mobilization to the Middle East to support the long-term contracts with the MENOC.	https://links.sgx.com/FileOpen/ANHSL%20Announcement%20NBF%20Loan%20Drawdown%20-%20Final.ashx?App=Announcement&FileID=530817
Dec-18	Completion of proposed subscription of Subscription Shares by Saeed Investment, which is controlled and helmed by Mr Kum Soh Har, Michael.	On 11 December 2018, 262,918,394 Subscription Shares were allotted and issued to Saeed Investment in accordance with the Subscription Agreement. The Company's total issued and paid-up share capital has increased from 260,593,750 shares to 523,512,144 shares.	https://links.sgx.com/FileOpen/ANH%20Announcement%206%20-%20Completion.ashx?App=Announcement&FileID=537063
Dec-18	Repayment of outstanding principal and interests of the SCF Loan funded by the new cash-for-equity injection by Saeed Investment.	The Company has, in accordance with the terms of the Subscription Agreement, utilised part of the subscription proceeds amounting to US$17.2 million to fully repay the outstanding principal and interests accured and accuring up to and including 3 January 2019 for the SCF Loan.	https://links.sgx.com/FileOpen/ANH%20-%20Announcement%20-%20Repayment%20of%20SCF.ashx?App=Announcement&FileID=537951
Dec-18	Appointment of Mr Kum Soh Har, Michael as the Non-Executive Non-Independent Chairman, with Mr Wong Siew Cheong being re-designated as Executive Director and Chief Executive Officer, along with other Board appointments and resignations.	Completion of renewal of members of Board of Directors as well as strengthening of Management team to meet the challenges of the future.	https://links.sgx.com/1.0.0/corporate-announcements/5OHH16YLF16B45F4/b73f917af8d768ffc2683a6f83fd80082c2f355501ccf20c70989dadaa0687e5
Mar-19	Completion of changes to members of the Board of Directors and the Board Committees culminating with the appointment of Mr Gwee Lian Kheng as Lead Independent Director in March 2019.		https://links.sgx.com/FileOpen/ANH%20-%20Announcement%20-%20Board%20composition%20-%20final.ashx?App=Announcement&FileID=545991
May-19	The Group announced the extension of contract for lift-boat i.e. AOS Maintainer I for one more year with a MENOC for a contract which started since June 2017.	On 23 May 2019, the Group announced the extension of contract for lift-boat AOS Maintainer I for second year with the daily charter rates and other conditions remaining unchanged. It also announced that the other lift-boat, i.e. Delta 22, had secured a 6-month firmed with 2-month extension option contract with same repeat customer which started on 1 May 2019.	https://links.sgx.com/FileOpen/ANH%20-%20Annct%20-%20Extension%20of%20Maintainer%20I%20and%20Delta%2022%20contracts.ashx?App=Announcement&FileID=560624
Jun-19	The Group announced the disposal of 15% minority interest in Bravo Shipping and Trading Co. Ltd ("Bravo") which is an investment in joint operation.	On 27 June 2019, the Group disposed of its interest in Bravo which is the owner of vessel ES Thunder for a total cash consideration of about US$1.15 million including an ascribed value of US$6.0 million for the vessel. Apart from FY2015, Bravo has been loss-making (including depreciation) and generating limited cash flow on a declining basis.	https://links.sgx.com/FileOpen/ANH%20-%20Final%20Announcement%20-%20Disposal%20of%20minority%20interest%20in%20BRAVO%20-%20280619.ashx?App=Announcement&FileID=565331
Jul-19	Resumption of trading of the Company's shares on the SGX Catalist with the restoration of free float of more than 10%.	With the restoration of free float, the Company's shares resumed trading on 5 July 2019 which were suspended since December 2018. The loss of free float was due to the cash-for-equity injection by Saeed Investment to bolster the balance sheet of the Group.	https://links.sgx.com/FileOpen/ANH%20-%20Annct%20-%20Restoration%20and%20resumption%20of%20trading%20040719.ashx?App=Announcement&FileID=567038
Feb-20	The Group announced its financial results for FY2019 with improvement in profits.	The Group reported its unaudited FY2019 financial results on 28 February 2020 with improvement in profit for the year of US$2.4 million, with adjusted EBITDA generated at US$19.8 million in FY2019 compared to US$16.3 million in FY2018, or an increase of more than 20%.	https://links.sgx.com/FileOpen/Financial%20Results%20Accouncement%20FY2019%20Final.ashx?App=Announcement&FileID=598689

HSE DESCRIPTION



HEALTH, SAFETY AND ENVIRONMENT ("HSE")

The Group believes that the safe operation of vessels, safety of its employees (including contractors and all persons working under its control), together with the public, as well as the protection of the environment, are of paramount importance and the overriding responsibilities and considerations in carrying out its diverse marine operations.

The Group maintains strict quality control programs to monitor and control its operational risks. We remain focused on increasing HSE awareness amongst our employees and crew, and on upholding our core values in our daily operational activities. Structured safety meetings are held and safety trainings were regularly organised for them throughout the year.

The Stop Work policy of the Group provides the authority with all due responsibilities to all designated employees or contractors to stop an activity if, in his/her opinion or judgment, the activity is deemed to be an unsafe or risky behavior.

As ship manager, Atlantic Maritime Group FZE ("AMG FZE") has successfully implemented and maintained an integrated management system in compliance with the latest ISO standards in Quality, Safety and Environment. AMG FZE follows a risk based approach and proactive method of implementing control measures or taking preventive actions to achieve its goal of zero accident.

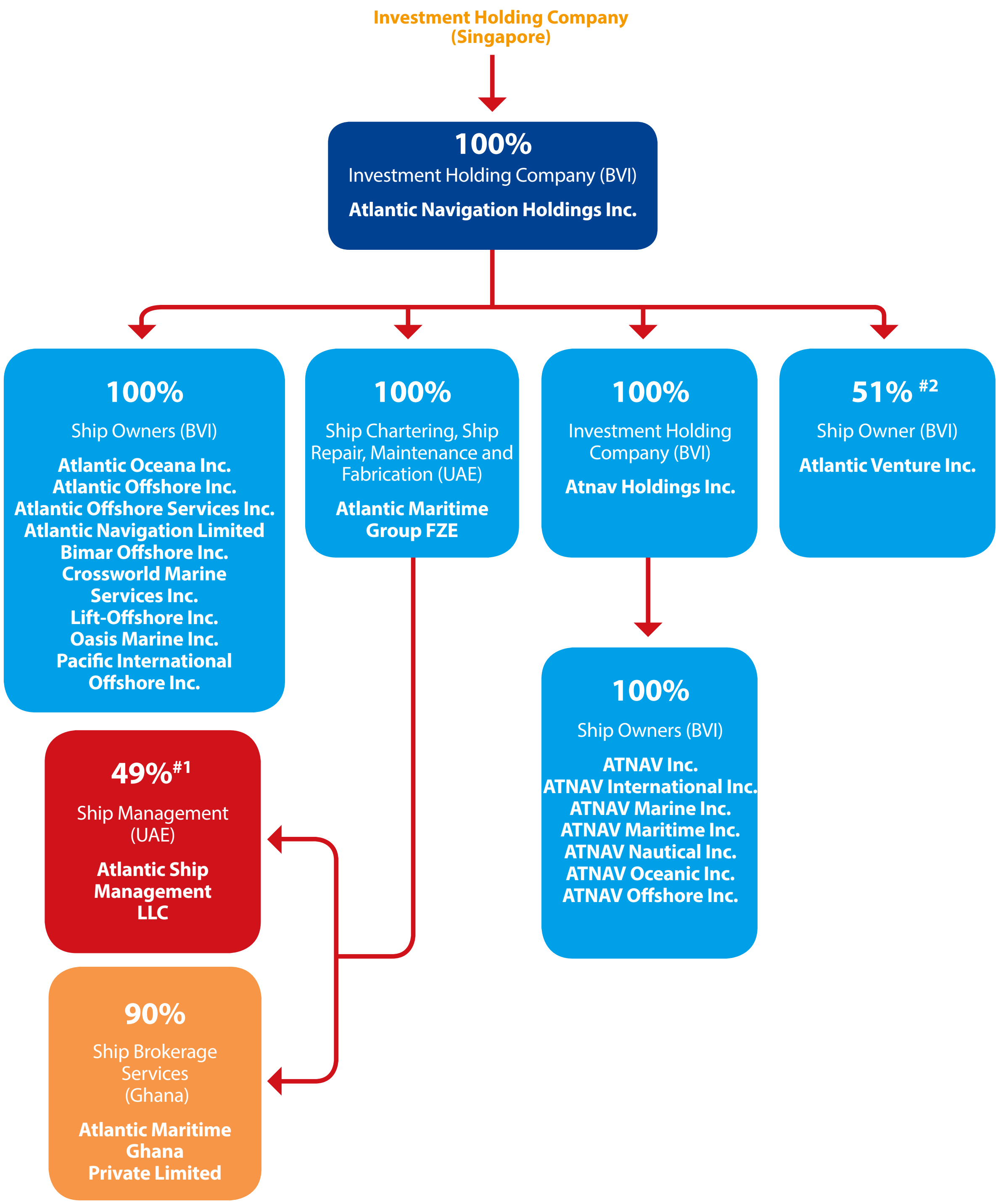
During the year 2019, there were no major accidents or incidents reported from fleet under management with only one slight injury out of almost 3.59 million total man-hours worked. In addition, there were also no environmental incidents or oil spills which occurred during our marine operations. As a result, AMG FZE had received letters of commendation and appreciation from charterers for the utilisation and operations of various vessels upon completion of the charters or projects.

The health and safety of the employees and crew are always of paramount importance to the Group. In view of the current global COVID-19 pandemic, the Group has progressively put in place the necessary precautionary measures to ensure that the various work environments both onshore and offshore on-board vessels remain safe and secure for its employees. These measures and plans are updated and enacted to adhere to regulations and promulgations of the various governments where its operations are as well as maritime regulatory bodies and organisations.

Various business contingency plans which have been activated had caused slight disruptions to how the Group normally and optimally operates but they are deemed necessary to safeguard health and safety of all concerned under its care. The Group will continue to closely monitor the development of COVID-19, keeping abreast of the latest promulgations and best practices including personal and group hygiene, physical distancing and adopting measures from being responsive to catering to the needs to the extent practicable to sustain the crew's mental well-being and welfare.

GROUP STRUCTURE

Atlantic Navigation Holdings (Singapore) Limited



[#1] *This represents the legal interests of the Group in Atlantic Ship Management LLC. The Directors consider Atlantic Ship Management LLC a subsidiary of the Group as the Group has control over the financial and operating policies and activities of this entity.*

[#2] *The Group has 51% interest as investment in joint operation. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.*

CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**" or the "**Directors**") of Atlantic Navigation Holdings (Singapore) Limited ("**Atlantic**" or the "**Company**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the "**Group**") to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the latest guidelines, rules and regulations.

The Listing Manual – Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") requires an issuer to describe its corporate governance practices with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 which was revised on 6 August 2018 ("**2018 Code**") in its annual report, as well as disclose any deviation from any provision of the 2018 Code and explain the reason for deviation and how the practices it had adopted are consistent with the intent of the relevant principle.

This report describes the Company's corporate governance practices with reference to both the principles and provisions set out in the 2018 Code. The Board confirms that, for the financial year ended 31 December 2019 ("**FY2019**"), the Company has adhered to the principles of the 2018 Code as well as the Catalist Rules, where appropriate, and has generally adhered to the provisions set out in the 2018 Code. Where there are deviations from any provision of the 2018 Code, appropriate disclosures and explanations are provided in accordance to the requirements of the Catalist Rules.

A. BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The primary role of the Board is to lead and control the Company's operations and affairs and to protect and enhance long-term shareholders' value. The Board establishes the corporate strategic objectives of the Group and oversees the performance of the management of the Group (the "**Management**"). The Board also ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The principal functions of the Board are:

- reviewing the financial results of the Group, evaluating the adequacy and integrity of the Group's internal controls and external audit;

- reviewing the performance of the Management and the remuneration packages for the Board and key management personnel;

- identifying principal risks of the Group's business, ensuring that such risks are assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

- monitoring major investments, divestments, acquisition and disposal of assets;

- determining the Group's values and standards including ethical standards;

- considering sustainability issues including environmental and social factors in the formulation of Group's strategies; and

- assuming responsibility for corporate governance.

CORPORATE GOVERNANCE REPORT

All Directors have objectively discharged their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Group has adopted internal guidelines for the Management, setting forth matters that require the Board's approval. Matters which are reserved for the Board's decision, include, *inter alia*:

- approving the remuneration packages for the Board and key management personnel;
- approving corporate strategies;
- approving major funding proposals; and
- approving major investments, divestments, acquisition and disposal of assets.

The Company has an established Code of Conduct which are updated accordingly that sets out the principles of business ethics and conduct for the Group and covers significant areas including appropriate business conduct and ethics, safeguarding of confidentiality information and prohibition on insider trading, anti-bribery, corruption and fraud measures, and conflicts of interest and non-competition. All employees of the Group are to uphold these principles and conduct themselves with high standards of integrity that are in compliance with laws and regulations of the jurisdictions in which it operates.

All Directors exercise due diligence and independent judgement, and are obliged to act in good faith and consider at all times, the interests of the Company. When an actual, potential and perceived conflict of interest arises, the concerned Director must disclose such interest, recuse himself or herself from discussions and decisions involving the matter and abstain from voting on resolutions regarding the matter.

To assist in the efficient and effective discharge of its duties and responsibilities, the Board has established the board committees, namely, Audit Committee ("**AC**"), Remuneration Committee ("**RC**") and Nominating Committee ("**NC**") (collectively, the "**Board Committees**"). The Board Committees operate within clearly defined terms of reference which sets out the authority and duties, and operating procedures, which are reviewed on a regular basis. The Board acknowledges that while the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

The Board conducts regular scheduled meetings at least four (4) times a year to review, *inter alia*, the strategic policies of the Group, significant business transactions, performance of the business and approve the release of the quarterly and year-end financial results when required, ad-hoc Board and Board Committees meetings are also held to address significant transactions or issues that may arise. The Company's Constitution allows meetings to be conducted by way of teleconference and videoconference.

The Board has independent and separate access to the Management at all times in carrying out its duties. The Management provides the Board with adequate and timely information including Board papers and related materials, and updates on initiatives and developments for the Group's business whenever possible.

For subjects that require the Board's decision, relevant members of the Management are invited to brief the Directors at the Board and Board Committee meetings. Periodic financial reports, budgets, forecasts, and other relevant reports and disclosure documents are provided to the Board, where appropriate, prior to the Board meeting. In respect of budgets, any material variance between the projections and actual results will be explained.

Directors have separate and independent access to the Company Secretary. The Company Secretary or his/her representatives attend all Board meetings and Board Committees meetings to ensure that Board procedures are followed and that applicable rules and regulations, and all governance matters are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board may, either individually or as a group, seek independent professional advice in furtherance of his/her duties, if necessary, at the Company's expense.

CORPORATE GOVERNANCE REPORT

Details of Board and Board Committees meetings as well as shareholders' general meeting held during FY2019 and members' attendance are summarised in the table below:

Meetings	Annual General Meeting for FY2018	Board	Board Committees		
			Audit	Nominating	Remuneration
Total held in FY2019	**1**	**4**	**4**	**2**	**1**
Number of meetings attended					
Mr Kum Soh Har, Michael(1)	1	2	3	1#	–
Ms Kum Wan Mei, Gwendolyn (Gan Wanmei)(2)	1#	4#	4#	2#	1#
Mr Wong Siew Cheong	1	4	4#	2#	1#
Mr Gwee Lian Kheng(3)	1	4	4	2	1
Mr Wong Chee Meng, Lawrence(4)	1	4	4	2	1
Mr Sam Chee Leong(5)	1	4	4	2	1#

Notes:

#By invitation

(1) On 4 March 2019, Mr Kum was appointed as a member of the AC.

(2) On 7 August 2019, Ms Kum was appointed as the Alternate Director to Mr Kum.

(3) On 4 March 2019, Mr Gwee was appointed as the Lead Independent Director of the Company, Chairman of the AC and NC, and a member of the RC.

(4) On 4 March 2019, Mr Wong was re-designated as from the Lead Independent Director to an Independent Director of the Company, Chairman of the RC, and a member of the AC and NC.

(5) On 4 March 2019, Mr Sam ceased to be a member of the RC.

The Company has and intends to continue to organise orientation programmes for current and new Directors (if and when required or when appointed) to familiarise them with the Group's operations and business issues as well as the relevant regulations and governance requirements.

Upon appointment of each Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations. Newly appointed Directors will be provided with background information on the Group's history, business operations and policies. For newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore, pursuant to the amended Rule 406(3)(a) of the Catalist Rules, which was consistent with the 2018 Code and effective from 1 January 2019, the Company will arrange for the SGX-ST's prescribed training courses ("**Mandatory Training**") organised by the Singapore Institute of Directors ("**SID**") on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.

CORPORATE GOVERNANCE REPORT

Mr Kum Soh Har, Michael and Mr Sam Chee Leong were appointed to the Board on 21 December 2018, who have no prior experience as a director of a Company listed on the SGX-ST. Mr Sam Chee Leong went through the relevant training programme conducted by the SID in 2019 while Mr Kum Soh Har, Michael will not be attending the relevant training programme as he has been a director of Singapore private companies since 1973. Notwithstanding, Mr Kum Soh Har, Michael has been provided with briefings and updates on new laws, regulations, code of corporate governance, financial reporting standards and changing commercial risks, from time to time. Ms Kum Wan Mei, Gwendolyn (Gan Wanmei) was appointed as the Alternate Director to Mr Kum Soh Har, Michael on 7 August 2019 and does not have prior experience as a director of a company listed on the SGX-ST. Ms Kum Wan Mei, Gwendolyn (Gan Wanmei) has attended 3 core modules under the Mandatory Training in 2019 and will be attending the remaining relevant training courses conducted by SID in due course.

Directors are kept informed on the relevant new laws, regulations, code of corporate governance, financial reporting standards and changing commercial risks, from time to time. Where appropriate, the Company will also fund the Directors' attendance at any training programme. During the period under review, Directors are provided with briefings and updates on (i) the developments in financial reporting and governance standards by the external auditors, Ernst & Young LLP; (ii) the changes in the Catalist Rules by the Continuing Sponsor, SAC Capital Private Limited; and (iii) on changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board Committees meetings.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this report, the Board consists of five (5) Directors and an Alternate Director, three (3) of whom are independent:

Mr Kum Soh Har, Michael	Non-Executive Non-Independent Chairman
Ms Kum Wan Mei, Gwendolyn (Gan Wanmei)	Alternate Director to Mr Kum Soh Har, Michael
Mr Wong Siew Cheong	Executive Director and Chief Executive Officer ("**CEO**")
Mr Gwee Lian Kheng	Lead Independent Director
Mr Wong Chee Meng, Lawrence	Independent Director
Mr Sam Chee Leong	Independent Director

The NC reviews the independence of Directors on an annual basis. Each Independent Director is required annually to complete a checklist to confirm his independence. In its deliberation as to the independence of a Director, the NC took into account examples of relationships as set out in the 2018 Code, considered whether a Director had business relationships with the Group, its related corporations, its substantial shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement with a view to the best interests of the Group.

In accordance to the 2018 Code and the Catalist Rules, the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the Catalist Rules to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules, it stipulates that a Director will not be considered as independent if he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation in the current or any of the past three financial years, and whose remuneration is or was determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations in the current or any of the past three financial years.

CORPORATE GOVERNANCE REPORT

After taking into account the views of the NC, the Board is satisfied that each Independent Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the Independent Director's judgement. The Board is of the view that there is a good balance between the Executive and Non-Executive Directors, and a strong and independent element on the Board.

Mr Kum Soh Har, Michael is the Non-Executive Non-Independent Chairman of the Company. In view of the fact that the Chairman is not an Independent Director, with the Board comprising five (5) Directors, three (3) of whom are independent, the composition of the Board complies with the recommendation under the 2018 Code that Independent Directors make up a majority of the Board.

None of the Independent Directors has served on the Board beyond nine (9) years from the date of his first appointment.

The composition of the Board and its Board Committees are reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise, skills, knowledge, experience and gender diversity to enable the Management to benefit from a diverse perspective of issues that are brought before the Board, and collectively possesses the necessary core competence in legal, business, investment, and accounting matters and industry knowledge for informed decision-making and effective functioning.

The Board, taking into account the scope and nature of the operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and its Board Committees, is of the view that its current size of five (5) Directors and the composition of the Board and its Board Committees are appropriate to meet the Company's objectives and facilitates effective decision making.

The Non-Executive Directors (including Independent Directors) will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and in monitoring the reporting of performance. When necessary, the Non-Executive Directors will have discussions/meetings amongst themselves without the presence of the Management.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr Kum Soh Har, Michael is currently the Non-Executive Non-Independent Chairman. The Chairman takes a leading role in the Company's drive to achieve and maintain high standards of corporate governance with the full support of the Board and the Company Secretary.

The Chairman, with the assistance of the Company Secretary, schedules and prepares the meeting agenda to enable the Board to discharge its duties responsibly having regard to the Group's operations. The Chairman leads all Board meetings and ensures that Board members receive complete, accurate and timely information to enable them to have full cognisance of the affairs of the Group, and ensuring sufficient allocation of time for thorough discussion of each agenda item (in particular strategic issues). He also promotes a culture of openness and solicits contributions from the Board members to facilitate constructive discussions.

Mr Wong Siew Cheong is the Group's CEO who has full executive responsibility over the business direction and operational decisions on the day-to-day operations and management of the Company. Mr Wong is the founder of the Group and plays a key role in developing the Group's business. Through the Group's performance in these few years, Mr Wong has demonstrated his vision, strong leadership and passion in the Group's business.

The Chairman and CEO are not related.

CORPORATE GOVERNANCE REPORT

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Three (3) out of five (5) of the Board members are Independent Directors and all the Board Committees are chaired by the Independent Directors. In addition, in view that the Non-Executive Chairman is not an Independent Director, the Company has appointed Mr Gwee Lian Kheng as the Lead Independent Director and he is available to shareholders where they have concerns and for which contact through the normal channels of the Non-Executive Non-Independent Chairman, the CEO or the Chief Financial Officer has failed to resolve or is inappropriate. As such, the Board believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process.

The Independent Directors led by the Lead Independent Director, discuss and/or meet amongst themselves without the presence of the other Directors where necessary. The Lead Independent Director will also provide feedback to the Non-Executive Non-Independent Chairman after such discussions/meetings.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

As at the date of this report, the NC comprises three (3) members, all of whom, including the Chairman, are Independent Directors. The members of the NC are:

Mr Gwee Lian Kheng	(Lead Independent Director)	Chairman
Mr Wong Chee Meng, Lawrence	(Independent Director)	Member
Mr Sam Chee Leong	(Independent Director)	Member

The NC is governed by its written terms of reference. The principal functions of the NC are:

(a) to make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board and the balance between Executive and Non-Executive Directors appointed to the Board;

(b) to review, assess and recommend nominee(s) or candidate(s) for appointment or election to the Board, having regard to his/her qualifications, competency, other principle commitments and whether or not he/she is independent and in the case of a re-nomination, his/her contribution and performance;

(c) to review Board succession plans for Directors, in particular for the CEO and the progressive renewal of the Board;

(d) to evaluate the performance of the Board as a whole, its Board Committees and the contribution of each individual Director to the effectiveness of the Board;

(e) to determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related corporation, its substantial shareholders or its officers and provide its views to the Board for the Board's consideration;

(f) to review training and professional development programmes for the Board; and

(g) to establish and review the criteria on the determination of the maximum number of directorships of listed companies any Director may hold, and to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and other principal commitments.

Each Director is required to declare the list of directorships or other principal commitments during the year to enable the ongoing monitoring of the commitment of the Directors to the Company. Aside from taking into account of the number of directorships and other principal commitments of the Directors, the NC also considers the results of the annual evaluation of each Director's effectiveness and the respective Director's conduct at the Board and Board Committees meetings to determine whether the Director is able to discharge his duties diligently. The NC is of the view that the Directors' contributions at the Board and Board Committees meetings, and their time commitment to the affairs of the Company, are adequate and it is not necessary at this stage to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. The NC will continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The potential new Directors are normally being identified via personal and professional networks. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee(s) or candidate(s) based on his/her qualifications, experience, commitment and ability to contribute to the Board process and such qualities and attributes that may be required by the Board.

In accordance with the 2018 Code and Rule 720(4) of the Catalist Rules, all Directors shall submit themselves for re-nomination and re-election at least once every three (3) years. Pursuant to Regulation 89 of the Company's Constitution, at least one-third of the Directors are to retire by rotation at every annual general meeting of the Company ("**AGM**") and a retiring Director is eligible for re-election by the shareholders of the Company at the AGM, provided that all Directors shall retire from office at least once every three (3) years at an AGM of the Company. In addition, Regulation 88 of the Company's Constitution provides that a newly appointed Director can only hold office until the next AGM and then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation. In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committees meetings but also their time and attention devoted to the Group's business and affairs.

The NC has recommended to the Board that Mr Wong Siew Cheong and Mr Wong Chee Meng, Lawrence be nominated for re-election at the Company's forthcoming AGM. In making the recommendation, the NC has considered each of the said Directors' overall contribution and performance. The Board has accepted the recommendation of the NC. Each member of the NC and the Board shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC and the Board in respect of the assessment of their own performance or re-nomination as Director.

Mr Wong Siew Cheong will, upon re-election as a Director, remain as Executive Director and CEO of the Company. Mr Wong Chee Meng, Lawrence will, upon re-election as a Director, remain as Independent Director of the Company, the Chairman of RC and a member of the AC and NC.

CORPORATE GOVERNANCE REPORT

Key information regarding the Directors is provided in the section entitled "Board of Directors" of the Annual Report. In addition, pursuant to Rule 720(5) of the Catalist Rules, the additional information as set out in Appendix 7F of the Catalist Rules relating to the retiring Directors who are submitting themselves for re-election is disclosed as below to be read in conjunction with the information in the section entitled "Board of Directors" of the Annual Report:-

Name of Directors	**Wong Siew Cheong**	**Wong Chee Meng, Lawrence**
Shareholding interest in the listed issuer and its subsidiaries	The Company Direct interest – 166,599,000 Ordinary Shares Deemed interest – 33,375,000 Ordinary Shares 750,000 share options under the Atlantic 2015 Employee Share Option Scheme Subsidiaries of the Group Nil	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Madam Chong Mee Chin, a substantial shareholder of the Company	None
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules has been submitted to the listed issuer	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Directors	**Wong Siew Cheong**	**Wong Chee Meng, Lawrence**
Other Principal Commitments* including Directorships **Exclude the occupation(s) as disclosed in the section entitled "Board of Directors" of the Annual Report*	**Past (for the last 5 years)** *Directorships* – Sealantic Co. FZC – Astra Offshore Sdn. Bhd. – Trend Steel Construction and Engineering Co. Ltd – Bravo Shipping and Trading Co. Ltd *Other principal commitments* Nil **Present** *Directorships* – Atlantic Offshore Services LLC – Atlantic Marine Services LLC – Atlantic Navigation Holdings Inc. – Atlantic Maritime Group FZE – Atlantic Oceana Inc. – Atlantic Offshore Inc. – Atlantic Offshore Services Inc. – Atlantic Navigation Limited – Bimar Offshore Inc. – Crossworld Marine Services Inc. – Lift-Offshore Inc. – Oasis Marine Inc. – Pacific International Offshore Inc. – Atnav Holdings Inc. – ATNAV Inc. – ATNAV International Inc. – ATNAV Marine Inc. – ATNAV Maritime Inc. – ATNAV Nautical Inc. – ATNAV Oceanic Inc. – ATNAV Offshore Inc. – Atlantic Ship Management LLC – Atlantic Maritime Ghana Private Limited – Atlantic Venture Inc. *Other principal commitments* Nil	**Past (for the last 5 years)** *Directorships* – Silkroad Nickel Ltd. – Artvision Technologies Ltd. – Sino Grandness Food Industry Group Limited *Other principal commitments* Nil **Present** *Directorships* – EQ Advisory Pte. Ltd. – EQ Compliance Pte. Ltd. – Equity Law LLC – Eindec Corporation Limited *Other principal commitments* Nil

The retiring Directors had responded negative to items (a) to (k) listed in Appendix 7F of the Catalist Rules.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board is satisfied that its current size and composition is appropriate for effective decision making, taking into account the nature and scope of the Company's operations.

A formal Board performance evaluation, led by the NC, is conducted annually by means of a confidential questionnaire designed to assess the state of affairs of corporate governance matters in the Company, including the performance of each individual Board Committee. The areas of evaluation for Board performance include Board composition, Board information, Board process, Board accountability, communication with and review of top management and standards of conduct. The key areas of evaluation for Board Committee performance include committee composition and committee process.

The NC is of the view that it is more appropriate and effective to evaluate the performance of the Board as a whole, bearing in mind that each member of the Board contributes in different ways to the success of the Company and Board decisions are made collectively. The evaluation is separately completed by each Director to elicit his individual input, collated, analysed and discussed with the NC and the Board with comparatives from the previous year. Recommendations to further enhance the effectiveness of the Board and the various Board Committees are implemented, as appropriate. The NC had conducted a performance evaluation of the Board and the Board Committees for FY2019, and areas highlighted by the Directors in the evaluation were further deliberated on to improve corporate governance of the Group.

In addition, the NC, in considering the re-appointment of any Director, evaluates the performance of the Director separately, including the Director's contribution at the Board and Board Committees meetings, and his/her time commitment to the affairs of the Company. Each member of the NC shall abstain from deliberating and voting on any resolutions in respect of the assessment of his performance or re-appointment as Director.

No external facilitator had been engaged by the Board for this purpose.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

As at the date of this report, the RC comprises three (3) members, all of whom are non-executive and two (2) of whom, including the RC Chairman, are independent. The members of the RC are:

Mr Wong Chee Meng, Lawrence	(Independent Director)	Chairman
Mr Gwee Lian Kheng	(Lead Independent Director)	Member
Mr Kum Soh Har, Michael	(Non-Executive Non-Independent Chairman)	Member

The RC is governed by its written terms of reference, which sets out its responsibilities:

(a) to review and submit its recommendations for endorsement by the entire Board, a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment for each Director and key management personnel including but not limited to senior executives reporting directly to the CEO or employees related to the Executive Director and controlling shareholders of the Group, if any;

(b) to review and submit its recommendations for endorsement by the entire Board, share option schemes, share award plans or any long-term incentive schemes which may be set up from time to time, in particular to review whether Directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith; and

(c) as part of its review, the RC shall ensure that:

   i. all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits-in-kind are covered;

   ii. the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and key management personnel's performance;

   iii. the remuneration package of employees related to Executive Directors and controlling shareholders of the Group, if any, are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility; and

   iv. the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Each member of the RC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. The RC benchmarks the remuneration of all Directors against peer companies in the sector. The RC has not engaged external professional remuneration consultant in FY2019. When necessary, the RC would seek independent professional advice on remuneration matters at the expense of the Company.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

In setting remuneration packages, the RC considers the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of each individual Director.

The Executive Director, Non-Executive Non-Independent Chairman and the Alternate Director to the Non-Executive Non-Independent Chairman do not receive Directors' fees. The remuneration for the Executive Director and the key management personnel comprise a basic salary component and a variable component and an annual bonus, based on the performance of the Group as well as their individual performance.

Annual reviews of the remuneration of the Executive Director and key management personnel are carried out by the RC to ensure that their remuneration is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

CORPORATE GOVERNANCE REPORT

The Independent Directors receive Directors' fees in accordance with their representation and contributions on the Board and various Board Committees, taking into account factors such as effort and time spent, as well as the general corporate responsibilities, risks and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised. Directors' fees are recommended by the Board for approval at the Company's AGM.

On 29 April 2015, the Company has adopted the new Atlantic 2015 Employee Share Option Scheme (the "**Atlantic 2015 ESOS**"), Atlantic 2015 Performance Share Plan (the "**Atlantic 2015 PSP**") and the Atlantic 2015 Restricted Share Plan (the "**Atlantic 2015 RSP**") (collectively, the "**2015 Schemes**") in substitution of the Atlantic Employee Share Option Scheme (the "**Atlantic 2008 ESOS**"), the Atlantic Performance Share Plan (the "**Atlantic 2008 PSP**") and the Atlantic Restricted Share Plan (the "**Atlantic 2008 RSP**"), respectively, all adopted on 18 November 2008 (collectively, the "**2008 Schemes**"). The 2008 Schemes had been terminated by the Committee upon passing of the resolution for the proposed Schemes at an extraordinary general meeting of the Company held on 29 April 2015. The details of the new 2015 Schemes are set out in the circular to shareholders of the Company dated 14 April 2015 in relation to the proposed adoption of the 2015 Schemes.

The Directors and key management personnel had participated in the Atlantic 2008 ESOS and share options were granted on 30 January 2014. The share options granted under the Atlantic 2008 ESOS have a validity period of five (5) years from the date of grant, and had expired on 29 January 2019. In addition, share options pursuant to the Atlantic 2015 ESOS were granted to Mr Wong Siew Cheong, the Executive Director and CEO, on 12 May 2015. The share options granted under the Atlantic 2015 ESOS have a validity period of five (5) years from the date of grant, which will expire on 11 May 2020. The Atlantic 2008 ESOS and the Atlantic 2015 ESOS are share option incentive plans which serve to reward and motivate Directors and key management personnel to strive for higher performance for the Company's growth and success. During FY2019, no share options and share awards have been granted under the 2015 Schemes.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. The Executive Director and the key management personnel owe a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the Executive Director and key management personnel in the event of such breach of fiduciary duties. The RC will review such contractual provision as and when necessary.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The level and mix of each Director's remuneration for FY2019 are as follows:

US$'000	Directors fees	Salary[1]	Bonus - Discretionary	Other benefits[2]	Total
Mr Kum Soh Har, Michael	–	–	–	–	–
Ms Kum Wan Mei, Gwendolyn (Gan Wanmei)	–	–	–	–	–
Mr Wong Siew Cheong	–	516.2	–	–	516.2
Mr Gwee Lian Kheng	32.1	–	–	–	32.1
Mr Wong Chee Meng, Lawrence	36.7	–	–	–	36.7
Mr Sam Chee Leong	33.6	–	–	–	33.6
Mr Goh Boon Chye	5.7	–	–	–	5.7

CORPORATE GOVERNANCE REPORT

Please see page 19 of the AR2019 on the respective dates of appointment and re-designation of each of the Directors, except for Mr Goh Boon Chye who resigned as Independent Director, Chairman of the AC and member of the NC of the Company with effect from 4 March 2019.

As at the date of this report, with the CEO covering the duties of the Chief Operating Officer in the interim period, the Group only has two (2) key management personnel who are not Directors or the CEO.

From FY2019, the Board shall disclose the remuneration in bands for key management personnel instead of actual amount of remuneration as disclosed in the past. On the basis of fostering a strong team cohesiveness and contribution within the Group, the disclosure relating to the key management personnel of the Group will be in bands of S$250,000 and in percentage terms for FY2019. The Board is of the opinion that such disclosure presentation provides sufficient overview of the remuneration of key management personnel, considering the confidentiality of remuneration matters and thus may not be in the interests of the Group to disclose detailed information.

For FY2019, the aggregate remuneration paid to all the key management personnel (excluding the CEO who is an Executive Director whose remuneration is disclosed above) of the Group amounted to approximately S$1,097,000 or US$813,000 (based on year end exchange rate of US$1.00 : S$1.35). The details of remuneration of the key management personnel of the Group are as follows:

S$'000	**Salary**[1] (%)	**Bonus - Discretionary** (%)	**Other benefits**[2] (%)	**Total** (%)
Between S$250,000 and up to S$500,000				
Mr Stoyan Radev Ialamov[3] *Former Chief Operating Officer*	100	–	–	100
Mr Hsu Chong Pin[4] *Chief Financial Officer ("**CFO**")*	100	–	–	100
Mr Mohammad Reza Sadeghi *Project Director*	100	–	–	100
Below S$250,000				
Mr Tong Choo Cherng[5] *Former Chief Financial Officer*	100	–	–	100

Notes:

1 Includes contractual short term employee benefits and allowances.

2 Fair value of grant of equity-settled share options.

3 Mr Stoyan Radev Ialamov had resigned from his position as Chief Operating Officer on 31 December 2019.

4 Mr Hsu Chong Pin was appointed as CFO on 31 January 2019.

5 Mr Tong Choo Cherng had resigned from his position as CFO on 31 January 2019.

There is no employee of the Group (excluding the CEO) who is a substantial shareholder of the Company, or an immediate family member of any Director, the CEO or substantial shareholders of the Company, and whose remuneration exceeded S$100,000 during FY2019.

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key management personnel and employees. In line with these objectives, the Group has adopted the Atlantic 2015 ESOS, the Atlantic 2015 PSP and the Atlantic 2015 RSP.

CORPORATE GOVERNANCE REPORT

The Company believes that these long-term incentive schemes will align the interests of its employees with those of its shareholders.

On 30 January 2014, the Company granted 4,050,000 share options under the 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 Atlantic 2008 ESOS has expired on 29 January 2019. Further information on the Atlantic 2008 ESOS, Atlantic 2008 PSP and Atlantic 2008 RSP are set out in the section entitled "Directors' Statement" of this Annual Report.

On 12 May 2015, the Company granted 750,000 share options under the Atlantic 2015 ESOS. 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. Further information on the Atlantic 2015 ESOS, Atlantic 2015 PSP and Atlantic 2015 RSP are set out in the section entitled "Directors' Statement" of this Annual Report.

There is no termination, retirement or post-employment benefits that are granted to the Directors and the key management personnel.

C. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The Group has established a Risk Management Committee comprising of relevant senior mangement of the Group, and at its direction, adopted an enterprise risk management framework and register to identify, manage and monitor the business and operating risks impacting the Group on an on-going basis. Until a dedicated chief risk officer or its equivalent is appointed commensurating with the size and complexities of the operations of the Group, the risk management framework and register is currently overseen by the CEO and the CFO and supported by various heads of divisions or business units such as Operations, Finance, IT and Administration. During the financial year, these departments were involved in identifying and evaluating risks from the bottom up, and these risks were then reviewed in consultation with the senior management of the Group to provide a top down perspective as well.

All significant matters will be reported to the AC and the Board for further discussion. The AC and the Board also work with the internal and external auditors on their recommendations and institutes and executes relevant controls with a view to managing business risks.

The Group's financial risk management is discussed under Note 35 to the Financial Statements in the Annual Report.

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but it notes that all internal control systems contain inherent limitations and no system of internal controls or risk management could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error losses, fraud or other irregularities.

The adequacy and effectiveness of these controls is subject to review by the internal auditors and is monitored by the AC. In addition, the external auditors also review the accounting systems and internal controls to assist them in expressing an opinion on the financial statements of the Group as a whole. Significant non-compliance in internal controls, together with recommendations for improvement, is reported to the AC. Copies of these reports are also issued to the relevant department for follow-up action. The AC reviewed the adequacy and effectiveness of the Group's key internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems, with the assistance of the internal and external auditors and the Management, who provide regular reports during the year to the AC in addition to briefings and updates at the AC meetings.

The Board had received written confirmations from the CEO and the CFO, that (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, the various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that there are adequate and effective controls in place within the Group addressing financial, operational, compliance and information technology controls, and risk management policies and systems to meet the needs of the Group in its current business environment.

The Board will, on a continuing basis, endeavour to further enhance and improve the Company's system of internal controls and risk management policies and systems.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC performs its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 and the requirements of the Catalist Rules.

As at the date of this report, the AC comprises four (4) members, all of whom are non-executive and three (3) of whom, including the Chairman, are independent. The members are:

Mr Gwee Lian Kheng	(Lead Independent Director)	Chairman
Mr Wong Chee Meng, Lawrence	(Independent Director)	Member
Mr Sam Chee Leong	(Independent Director)	Member
Mr Kum Soh Har, Michael	(Non-Executive Non-Independent Chairman)	Member

The AC members have numerous years of experience in senior management positions and have sufficient financial management expertise to discharge their responsibilities. They are not former partners or directors of the Company's auditing firm.

The AC meets at least four (4) times a year and as and when deemed appropriate to carry out its functions.

The AC assists the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and in developing and maintaining effective systems of risk management and internal control.

The AC is governed by its written terms of reference. The authorities and principal functions of the AC are as follows:

(a) to review and monitor significant financial reporting issues and judgement to ensure the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards used by the Company and the Group; and any announcements relating to the Company's financial performance, where the external auditors in their audit of the Company's year-end financial statements, raise any significant issues which have a material impact on the financial statements or financial updates previously announced by the Company;

(b) reviewing and assisting the Board to improve the quality of future interim financial statements or financial updates;

(c) to review the assurance from the CEO and the CFO on the financial records and financial statements;

(d) to review, at the end of the audit cycle, the audit representation letters and the contents of the external auditors' management letter, and meet with the internal auditors and external auditors without the presence of the Management;

(e) to review and report to the Board at least annually on the adequacy and effectiveness of the Company's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems;

(f) to review, monitor, assess and evaluate the role and effectiveness of the internal audit function in the overall context of the Company's risk management policies and systems;

(g) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;

(h) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions;

(i) in connection with the terms of engagement to the external auditors, to make recommendations to the Board on the selection, appointment, re-appointment, and resignation of the external auditors based upon a thorough assessment of the external auditors' functioning, and approve the remuneration and terms of engagement of the external auditors. The proposal should be submitted to the general meeting of shareholders for approval when there is a change of external auditors;

(j) monitor and assess the external auditors' independence and keep the nature and extent of non-audit services provided by the external auditors under review to ensure the external auditors' independence or objectivity is not impaired;

(k) to review interested person transactions falling within the scope of the Catalist Rules;

(l) to undertake such other reviews and projects as may be requested by the Board; and

(m) to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has put in place a whistleblowing policy whereby employees may, in confidence, report possible improprieties which may cause financial or non-financial loss of the Company. Whistle blowers could call and/or email to the Whistleblowing Committee directly and in confidence, and his/her identity is protected from reprisals within the limit of the law. For FY2019, the Whistleblowing Committee did not receive any whistleblowing reports.

The AC has full access to and co-operation from the Management and full discretion to invite any Director or executive officer to attend its meetings, and has been given resources to enable the AC to discharge its functions properly. The internal and external auditors have direct and unrestricted access to the Chairman of the AC and the Chairman of the Board.

The AC meets with the external auditors and the internal auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.

The aggregate audit fees paid and payable to the external auditors, Ernst & Young LLP and its affiliates amounted to US$105,000 in aggregate. Non-audit services provided by the Company's external auditors for the period under review amounted to approximately US$3,000. The AC conducts an annual review of all non-audit services, which was mainly for tax services and is satisfied that the provision of such services did not affect the independence and objectivity of the external auditors.

The Company has complied with Rules 712 and 715 of the Catalist Rules in relation to the appointments of its external auditors. No former partner or director of the Company's existing auditing firm is a member of the AC. Having satisfied as to the foregoing and that Rule 712 of the Catalist Rules has been complied with, the AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM.

In addition to the activities undertaken to fulfill its responsibilities, the AC is kept abreast by the Management, external and internal auditors on changes to accounting standards, Catalist Rules and other codes and regulations which could have an impact on the Group's business and financial statements.

With respect to the Independent Auditor's Report for FY2019, in line with the recommendations by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and the SGX-ST, the AC can play an important role to improve transparency and enhance the quality of corporate reporting by providing a commentary on Key Audit Matters ("**KAM**"). The AC has considered the KAM presented by the external auditor together with management on pages 43 to 44 of the Independent Auditor's Report. The AC reviewed the KAM and concurred and agreed with the external auditor and management on their assessment, judgements and estimates on the significant matter reported by the external auditor.

The Group believes and recognises the need to put in place a robust and effective system of internal controls. The Company's internal audit function is outsourced to RSM UAE, a member firm of RSM International. RSM UAE reports directly to the Chairman of the AC. The main objective of the internal audit function is to assist the Group in evaluating and testing the effectiveness of internal controls and to reduce the risk that the Group might not achieve its business objectives. The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

RSM UAE is staffed with professionals with relevant qualifications and experience. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC at the beginning of the financial year for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concern.

The AC reviews the independency, adequately resourced and effectiveness of the internal audit function on an annual basis and is satisfied with its independency, adequacy and effectiveness.

D. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights. Furthermore, the Company continually reviews and updates such governance arrangement.

CORPORATE GOVERNANCE REPORT

Shareholders are informed of changes in the Company's businesses that are likely to materially affect the value or trading of the Company's shares.

The Company's principal form of dialogue with shareholders takes place at general meetings. Notices of general meetings are dispatched to shareholders, together with the annual report and/or circulars within the time notice period as prescribed by the relevant regulations. Where necessary, additional explanatory notes will be provided for relevant resolutions which are to be tabled at general meetings to enable shareholders to exercise their vote on an informed basis. The Company strives to hold general meetings at venues which are accessible to shareholders.

At general meetings of the Company, shareholders are given the opportunity to participate effectively in and vote at general meetings. Shareholders are informed of the rules, including voting procedures, that govern general meetings. In accordance with the Constitution of the Company, shareholders may appoint not more than two (2) proxies to attend and vote at the general meetings in their absence. Further, the Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies. On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. All shareholders are allowed to vote in person or by proxy.

Resolutions on each distinct issue are tabled separately at general meetings. Where the resolutions are inherently interdependent so as to form one significant proposal for approvals, such resolutions may be presented singularly as one composite resolution which will be accompanied by clear and detailed explanations from the Company. In situations where resolutions are inter-conditional, the Company will provide clear explanations.

Shareholders are encouraged to attend the Company's AGMs or general meetings to clarify issues and to share their opinions or concerns. The Management shall attend general meetings to address shareholders' queries and receive feedback from shareholders. The external auditors shall also be invited to attend general meetings and will assist in addressing queries from the shareholders relating to the conduct of the audit and the preparation and content of the independent auditor's report. The Chairman of the meeting will facilitate constructive dialogue between shareholders and the Board, the Management, the external auditors and other relevant professionals.

The Company Secretary prepares minutes of general meetings relating to the agenda of the meetings, and makes these minutes, subsequently approved by the Board, available to shareholders during office hours at its registered office. Minutes of general meetings shall only include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board, the Management, the external auditors and other relevant professionals.

The Company does not publish minutes of general meetings of shareholders on its corporate website as contemplated by the 2018 Code. There are potential adverse implications, including commercial and legal implications, for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting). The Company is of the view that its position is consistent with the intent of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equitably by the Company.

For greater transparency, the Company has instituted poll voting and all resolutions are put to vote by poll at its AGMs. Announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will also be made on the same day.

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of shareholders' identities through the web are not compromised.

The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flows generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2019, the Board has not declared or recommended any dividend in view of the operational and financial requirements of the Group.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company is committed to regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of the major developments that impact the Group. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner. The Company does not practise selective disclosure. Price or trade sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Information is communicated to shareholders on a timely basis through:

(a) SGXNET announcements and press releases;

(b) annual reports that are prepared and issued to all shareholders;

(c) quarterly and annual financial statements containing a summary of the financial information and affairs of the Group for the period; and

(d) the Group's website at https://www.atlanticnavigation.com.

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or inputs and address shareholders' concerns at general meetings.

In view of the present scale and limited queries from the public, the Company does not have a dedicated investor relations team. However, the investor relations efforts of the Company are overseen by the CFO with dedicated email addresses (ir@amguae.net and corp@amguae.net) available on the Company's website where the emails and requests from the public will be attended to. The Company will assess the need to establish a dedicated investor relations team when the scale, complexity and the demand for such services deem it necessary.

E. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

To further enhance the communication with stakeholders including investors, the Company's website http://www.atlanticnavigation.com allow the public to access information on the Group directly with dedicated email addresses (ir@amguae.net and corp@amguae.net) available on the Company's website where the emails and requests from the public will be attended to.

CORPORATE GOVERNANCE REPORT

The engagement with material stakeholder groups, including key areas of focus and engagement channels, will be disclosed in the Sustainability Report for FY2019. The Sustainability Report FY2019 will be published to keep stakeholders informed on the Group's business and operations.

Dealing in Securities

In compliance with Rule 1204(19) of the Catalist Rules, the Company has in place a policy prohibiting share dealings by officers of the Company for the period of two (2) weeks prior to the announcement of the Company's quarterly results and one (1) month prior to the announcement of the full year results, as the case may be, and ending on the date of the announcement of the relevant results. Directors and employees who are in possession of unpublished material price- or trade-sensitive information of the Group should not deal in the Company's securities on short term considerations. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were paid/payable to the Sponsor, SAC Capital Private Limited, for FY2019.

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.

No general mandate has been obtained from shareholders in respect of interested person transactions for FY2019. The aggregate value of interested person transactions entered into during FY2019 as required for disclosure pursuant to Rule 1204(17) of the Catalist Rules is as follows:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions 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 the shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)
Wong Siew Cheong – Interests on shareholder loan(1)	Note 1	US$446,000 (approximately S$601,691)	NIL
Kum Soh Har, Michael – Interests on shareholder loan(1)	Note 2	US$137,750 (approximately S$185,830)	NIL

CORPORATE GOVERNANCE REPORT

Notes:

(1) As at 31 December 2019, Mr Wong Siew Cheong, the Executive Director and CEO of the Company, had provided an aggregate of US$7.3 million loan (the "**Loan**") to the Group where the Loan is unsecured, interest-bearing at interest rate of 6% 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 31 December 2019, 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. to the Group where the Advance is unsecured, interest-bearing at interest rate of 6% per annum, and is to be settled in cash.

Material Contracts

Save for the agreements relating to the shareholder advances of US$3.0 million in aggregate dated 13 March 2019 and 18 April 2019, and extension agreements both dated 23 February 2020 to extend both maturity dates to 31 December 2020 entered into between Mr Kum Soh Har, Michael, the Non-Executive Non-Independent Chairman through Saeed Investment Pte. Ltd. and the Company, details of which are disclosed in the "Interested Person Transactions" section above and Note 25 to the Financial Statements, the Company and its subsidiaries did not enter into any material contracts (including loans) involving the interests of any Directors or controlling shareholders, which are either still subsisting as at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Atlantic Navigation Holdings (Singapore) Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the Group is expected to be able to generate sufficient cash flows from its operations as well as securing the support from its principal bankers and other stakeholders.

2. Directors

The directors of the Company in office at the date of this statement are:

Kum Soh Har, Michael	Non-Executive Non-Independent Chairman
Kum Wan Mei, Gwendolyn	Alternative Director for Kum Soh Har, Michael
Wong Siew Cheong	Executive Director and CEO
Gwee Lian Kheng	Lead Independent Director
Wong Chee Meng, Lawrence	Independent Director
Sam Chee Leong	Independent Director

Pursuant to Rule 720(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited and in accordance with Regulation 89 of the Company's Constitution, Mr Wong Chee Meng, Lawrence and Mr Wong Siew Cheong will retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, will offer themselves for re-election.

3. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Kum Soh Har, Michael	–	–	262,918,394	262,918,394
Wong Siew Cheong	173,099,000	166,599,000	33,375,000	33,375,000
Share options of the Company				
Wong Siew Cheong	750,000	750,000	–	–

By virtue of Section 164(15)(a) of the Singapore Companies Act, Chapter 50, Mr Wong Siew Cheong is deemed to have an interest in the 33,375,000 shares of the Company held by his spouse, Madam Chong Mee Chin.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr Kum Soh Har, Michael and his spouse, Madam Ong Bee Yong, Lynda are deemed to have an interest in the 262,918,394 shares of the Company held through Saeed Investment Pte. Ltd.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

5. Share plans

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key senior management and employees.

In line with these objectives, the Company has adopted, which were approved by the shareholders of the Company at the Extraordinary General Meeting held on 18 November 2008, the Atlantic Employee Share Option Scheme ("Atlantic 2008 ESOS") (previously known as Fastube ESOS), Atlantic Performance Share Plan ("Atlantic 2008 PSP") (previously known as Fastube PSP) and Atlantic Restricted Share Plan ("Atlantic 2008 RSP") (previously known as Fastube RSP) (collectively, the "2008 Schemes").

On 29 April 2015, the Company has terminated the 2008 Schemes and no further options or awards shall be offered by the Company under the 2008 Schemes. On the same day, the Company has also adopted the Atlantic 2015 Employee Share Option Scheme ("Atlantic 2015 ESOS"), Atlantic 2015 Performance Share Plan ("Atlantic 2015 PSP") and Atlantic 2015 Restricted Share Plan ("Atlantic 2015 RSP") (collectively, the "2015 Schemes") which were approved by the shareholders of the Company to substitute the 2008 Schemes.

DIRECTORS' STATEMENT

5. Share plans (cont'd)

Atlantic 2008 ESOS and Atlantic 2015 ESOS ("Atlantic ESOS")

On 30 January 2014, the Company granted 4,050,000 share options under the 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 termination of the Atlantic 2008 ESOS shall not affect the outstanding share options granted and accepted but remain unexercised (whether fully or partially) at the termination of this Atlantic 2008 ESOS. None of the share options under the Atlantic 2008 ESOS were exercised during the financial year and any unexercised share options has expired on 29 January 2019.

Under the Atlantic 2015 ESOS, the number of additional ordinary shares to be issued pursuant to Atlantic 2015 ESOS shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares (excluding treasury shares and subsidiary holdings), from time to time.

On 12 May 2015, the Company granted 750,000 share options under the 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 US$54,000).

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Atlantic ESOS are as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options exercised / lapsed since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Wong Siew Cheong[1]	–	750,000	–	750,000
Total	–	750,000	–	750,000

[1] These options are granted under the Atlantic 2015 ESOS and expiring on 11 May 2020.

These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

Atlantic 2008 PSP and Atlantic 2015 PSP ("Atlantic PSP")

The Atlantic 2008 PSP has been terminated on 29 April 2015 and there are no outstanding performance shares under the Atlantic 2008 PSP at the termination of this Atlantic 2008 PSP.

Under the Atlantic 2015 PSP, the number of additional ordinary shares to be issued pursuant to the Atlantic PSP shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares (excluding treasury shares and subsidiary holdings), from time to time.

No performance shares have been granted under the Atlantic PSP during the financial year ended 31 December 2019.

DIRECTORS' STATEMENT

5. Share plans (cont'd)

Atlantic 2008 RSP and Atlantic 2015 RSP ("Atlantic RSP")

The Atlantic 2008 RSP has been terminated on 29 April 2015 and there are no outstanding performance shares under the Atlantic 2008 RSP at the termination of this Atlantic 2008 RSP.

Under the Atlantic 2015 RSP, the number of additional ordinary shares to be issued pursuant to the Atlantic 2015 RSP shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company but subject to the aggregate number of shares available under the 2015 Schemes not exceeding 15% of total number of issued shares (excluding treasury shares and subsidiary holdings), from time to time.

No share awards have been granted under the Atlantic RSP during the financial year ended 31 December 2019.

At the date of this report, the committee which administers the Atlantic ESOS, Atlantic PSP and Atlantic RSP is the Remuneration Committee and currently comprises Mr Wong Chee Meng, Lawrence, Mr Gwee Lian Kheng and Mr Kum Soh Har, Michael.

Except as disclosed above, since the commencement of the employee share option plans till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates
- No participant has received 5% or more of the total options available under the plans
- No participant has been granted to directors and employees of holding company and its subsidiaries
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted
- No options have been granted at a discount

6. Audit committee

The members of the Audit Committee ("AC") at the date of this report are:

Gwee Lian Kheng (Chairman)	Lead Independent Director
Wong Chee Meng, Lawrence (Member)	Independent Director
Sam Chee Leong (Member)	Independent Director
Kum Soh Har, Michael (Member)	Non-Executive Non-Independent Chairman

The AC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed adequacy and effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls, and risk management policy and systems via reviews carried out by the internal auditor

DIRECTORS' STATEMENT

6. Audit committee (cont'd)

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Catalist Rules

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

The AC has nominated Ernst & Young LLP for re-appointment as auditor of the Company at the forthcoming Annual General Meeting.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Wong Siew Cheong
Director

Kum Soh Har, Michael
Director

15 April 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atlantic Navigation Holdings (Singapore) Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

The Group incurred negative net cash flows of US$3,510,000 during the financial year ended 31 December 2019 and as at that date, the Group's current liabilities exceeded its current assets by US$19,952,000. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As stated in Note 2.1 to the financial statements, the Group's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows from its operations as well as continuing support from its principal bankers to meet its financial obligations as and when they fall due. The Group's actions after the balance sheet date are disclosed in Note 39 to the financial statements. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Key Audit Matter

Key audit matters are matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Key Audit Matter (cont'd)

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Carrying value of vessels

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

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

We carried out procedures to understand management's process for identifying impairment indicators and considered management's assessment of impairment. Our audit procedures, amongst others, in assessing the appropriateness of the recoverable amounts determined by management included:

– Assessed management's evaluation of indicators of impairment for the vessels;

– Reviewed the basis of management's assessment of the estimated useful lives and residual values of the vessels;

– Evaluated the competence, capabilities and objectivity of the external valuer engaged by the management;

– Analysed the methodologies and key valuation parameters adopted by external valuer;

– Involved our internal valuation specialist to assist us in our assessment of the external valuer's methodologies and reasonableness of key valuation parameters taking into consideration the specification of the vessels.

We also assessed the adequacy of the relevant disclosures in the financial statements. The management's conclusion on the impairment test and the related disclosures are included in Note 3.2b and Note 11.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Groups internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of Atlantic Navigation Holdings (Singapore) Limited

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yew Chung.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

15 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

(Amounts expressed in United States Dollars)

	Note	2019 US$'000	2018 US$'000
Revenue	4	76,518	58,801
Cost of services		(58,955)	(43,453)
Gross profit		17,563	15,348
Other items of income			
Finance income	5	6	5
Other income	6	247	319
Other items of expense			
Marketing and distribution expenses		(291)	(735)
Administrative expenses		(5,526)	(5,672)
Finance costs	5	(6,711)	(7,699)
Loss on fair value changes in derivatives	30	–	(614)
Other expenses	7	(502)	(16,857)
Share of results of a joint venture	15	92	631
Loss on disposal of a joint operation	16	(589)	–
Withholding tax expense		(1,885)	(1,642)
Profit/(loss) before tax	8	2,404	(16,916)
Income tax expense	9	(2)	–
Profit/(loss) for the year attributable to owners of the Company		2,402	(16,916)
Earnings/(loss) per share attributable to owners of the Company (US$ cents)			
Basic	10	0.46	(6.15)
Diluted	10	0.46	(6.15)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

(Amounts expressed in United States Dollars)

	2019 US$'000	2018 US$'000
Profit/(loss) for the year	2,402	(16,916)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net fair value changes on cash flow hedges	(721)	–
Other comprehensive income for the year, net of tax	(721)	–
Total comprehensive income for the year	1,681	(16,916)
Attributable to:		
Owners of the Company	1,681	(16,916)
Total comprehensive income for the year attributable to owners of the Company	1,681	(16,916)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2019

(Amounts expressed in United States Dollars)

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current assets					
Property, vessels and equipment	11	168,330	179,696	–	–
Right-of-use asset	12	150	–	–	–
Intangible assets	13	150	141	141	141
Investment in subsidiaries	14	–	–	66,741	66,741
Investment in a joint venture	15	–	708	–	–
Advances, deposits and other receivables	18	–	–	39,999	45,956
Prepayments		465	426	–	–
		169,095	180,971	106,881	112,838
Current assets					
Inventories	17	611	184	–	–
Advances, deposits and other receivables	18	2,749	3,197	11,595	10,453
Prepayments		714	917	–	7
Trade receivables	19	20,579	11,913	3,419	–
Cash and bank balances	20	1,755	4,935	632	1,805
Bank deposits pledged	20	235	250	235	235
Restricted cash	20	363	–	–	–
		27,006	21,396	15,881	12,500
Total assets		196,101	202,367	122,762	125,338
EQUITY AND LIABILITIES					
Current liabilities					
Loans and borrowings	21	16,342	20,723	7,657	7,657
Trade payables	22	19,975	16,386	2,058	–
Accruals and other payables	23	6,694	9,501	509	1,360
Other non-financial liabilities	24	57	690	–	–
Amount due to shareholders	25	3,818	–	3,000	–
Lease liabilities	12	72	–	–	–
		46,958	47,300	13,224	9,017
Net current (liabilities)/assets		(19,952)	(25,904)	2,657	3,483
Non-current liabilities					
Provisions	26	553	538	–	–
Amount due to shareholders	25	8,622	7,332	8,622	7,332
Lease liabilities	12	78	–	–	–
Derivatives	30	1,212	614	–	–
Loans and borrowings	21	52,726	62,312	17,866	25,523
		63,191	70,796	26,488	32,855
Total liabilities		110,149	118,096	39,712	41,872
Net assets		85,952	84,271	83,050	83,466
Equity attributable to owners of the Company					
Share capital	27	38,307	38,307	111,471	111,471
Other reserves	28	3,969	4,690	4,431	4,431
Retained earnings/(accumulated losses)		43,676	41,274	(32,852)	(32,436)
Total equity		85,952	84,271	83,050	83,466
Total equity and liabilities		196,101	202,367	122,762	125,338

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

(Amounts expressed in United States Dollars)

Group	Equity, total	Attributable to owners of the Company		
		Share capital (Note 27)	Other reserves (Note 28)	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 year	2,402	–	–	2,402
Other comprehensive income				
Net fair value changes on cash flow hedges	(721)	–	(721)	–
Total comprehensive income for the year	1,681	–	(721)	2,402
Balance at 31 December 2019	85,952	38,307	3,969	43,676
Balance at 1 January 2018	75,595	12,370	4,690	58,535
Adjustment due to first time adoption of SFRS(I) 9	(345)	–	–	(345)
Loss for the year, representing total comprehensive income for the year	(16,916)	–	–	(16,916)
Issuance of new ordinary shares in the share capital of the Company	26,000	26,000	–	–
Share issuance expenses	(63)	(63)	–	–
Balance at 31 December 2018	84,271	38,307	4,690	41,274

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

(Amounts expressed in United States Dollars)

		Attributable to owners of the Company		
Company	**Equity, Total** US$'000	**Share capital (Note 27)** US$'000	**Other reserves (Note 28)** US$'000	**Accumulated losses** US$'000
Balance at 1 January 2019	83,466	111,471	4,431	(32,436)
Loss for the year, representing total comprehensive income for the year	(416)	–	–	(416)
Balance at 31 December 2019	83,050	111,471	4,431	(32,852)
Balance at 1 January 2018	74,444	85,534	4,431	(15,521)
Loss for the year, representing total comprehensive income for the year	(16,915)	–	–	(16,915)
Issuance of new ordinary shares in the share capital of the company	26,000	26,000	–	–
Share issuance expenses	(63)	(63)	–	–
Balance at 31 December 2018	83,466	111,471	4,431	(32,436)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

(Amounts expressed in United States Dollars)

	Note	2019 US$'000	2018 US$'000
Operating activities			
Profit/(loss) before tax		2,404	(16,916)
Adjustments for:			
Net loss/(gain) on disposal of property, vessels and equipment	6,7	502	(125)
Interest income	5	(6)	(5)
Depreciation of property, vessels and equipment	8, 11	9,509	8,626
Amortisation of intangible asset	13	2	–
Depreciation of right-of-use asset	12	65	–
Written off of other receivables		65	–
Allowance for doubtful trade debts, net	19	257	154
Loss on fair value changes in derivatives	30	–	614
Share of results of a joint venture	15	(92)	(631)
Finance costs	5	6,711	7,699
Provisions	26	97	150
Provision for an arbitration case	7	–	500
Impairment loss on property, vessels and equipment	7	–	16,357
Loss on disposal of joint operation	16	589	–
Total adjustments		17,699	33,339
Operating cash flows before changes in working capital		20,103	16,423
Changes in working capital:			
(Increase)/decrease in inventories		(427)	31
(Increase)/decrease in trade receivables		(9,138)	1,387
Decrease/(increase) in advances, deposits and other receivables		448	(667)
Decrease/(increase) in prepayments		164	(221)
Increase in trade payables		3,493	5,348
Decrease in accruals and other payables		(467)	(57)
Decrease in provisions		(82)	(681)
(Decrease)/increase in other non-financial liabilities		(633)	404
Total changes in working capital		(6,642)	5,544
Cash generated from operations		13,461	21,967
Interest received		6	5
Interest paid		(7,867)	(6,973)
Net cash flows generated from operating activities		5,600	14,999
Investing activities			
Purchase of property, vessels and equipment	11	(1,266)	(45,522)
Distribution from a joint venture	15	896	–
Proceeds from disposal of property, vessels and equipment		1,282	680
Proceeds from disposal of a joint operation	16	900	–
Addition to intangible assets	13	(11)	–
Net cash flows generated from/(used in) investing activities		1,801	(44,842)
Financing activities			
Proceeds from shareholders		3,818	–
Proceeds from shares subscriptions		–	26,000
Proceeds from loans and borrowings		17,279	38,320
Repayment of loans and borrowings		(31,576)	(29,687)
Repayment of lease liabilities		(84)	–
Increase in bank deposits pledged and restricted cash		(348)	(15)
Share issuance expenses		–	(63)
Net cash flows (used in)/generated from financing activities		(10,911)	34,555
Net (decrease)/increase in cash and cash equivalents		(3,510)	4,712
Cash and cash equivalents at 1 January		4,935	223
Cash and cash equivalents at 31 December	20	1,425	4,935

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

1.1 Atlantic Navigation Holdings (Singapore) Limited (the "Company") is a limited liability company incorporated in Singapore and is listed on the Catalist board of Singapore Exchange Securities Trading Limited (the "SGX-ST"). The former name of the Company is Fastube Limited, and upon the completion of a reverse acquisition on 31 July 2012, the Company's name has changed to Atlantic Navigation Holdings (Singapore) Limited.

The immediate and ultimate holding company is Saeed Investment Pte. Ltd., which is incorporated in Singapore. The change in control took place when the Company issued new shares to Saeed Investment Pte. Ltd. resulting in approximately 50.2% stake in the Company pursuant to the cash-for-equity subscription agreement which was completed in December 2018.

The registered office of the Company is at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712. The principal place of business of the Group is located at Plot No. HD-02, P. O. Box 6653, Hamriyah Free Zone, Sharjah, United Arab Emirates.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

1.2 ***Reverse acquisition undertaken by the Company (the "Reverse Acquisition")***

On 13 March 2011, Atlantic Navigation Holdings (Singapore) Limited (the "Company") had entered into a sale and purchase agreement with the then-controlling shareholders of the Company (the "Purchasers") to dispose of the Company's then-existing subsidiaries and its existing business to the Purchasers (the "Disposal"). The Disposal was subsequently completed on 31 July 2012 and pursuant to the Disposal, the Company became a non-trading shell company.

On 31 July 2012, the Company completed the acquisition of the entire issued and paid-up capital of Atlantic Navigation Holdings Inc. ("ANH Inc.") and its subsidiaries (collectively, the "Atlantic Group") (the "Acquisition"). The Acquisition resulted in a Reverse Takeover ("RTO") of the Company.

The Acquisition has been accounted for as a RTO and the legal subsidiaries, the Atlantic Group, is regarded as the acquirer and the Company, previously known as Fastube Limited ("Fastube") before completion on 31 July 2012, is regarded as the acquiree for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of the Atlantic Group's financial statements.

The purchase consideration was satisfied by the allotment and issuance of 228,125,000 new shares in the capital of the Company on 31 July 2012.

The shares in the Company were consolidated on 31 July 2012 on the basis of one share for every 10 shares held by shareholders ("Share Consolidation"). The number of consolidated shares to which shareholders are entitled arising from the Share Consolidation were rounded down to the nearest whole consolidated share, and any fractions of consolidated shares arising from the Share Consolidation were disregarded.

At Group level

The acquisition of the Atlantic Group has been accounted for in the consolidated financial statements as a reverse acquisition involving a non-trading shell company. This transaction has been accounted for in the consolidated financial statements as a share-based transaction as described in FRS 102 *Share-based Payment* where the Atlantic Group was deemed to have issued shares in exchange for the net assets/liabilities in the Company together with the listing status of the Company. The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition, being 12,500,000 consolidated shares at the market price at the date of acquisition. The listing status did not qualify for recognition as an intangible asset, and accordingly, the cost of the reverse acquisition (net of assets/liabilities acquired) had been expensed off in the consolidated statement of comprehensive income for the financial year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information (cont'd)

1.2 ***Reverse acquisition undertaken by the Company (the "Reverse Acquisition") (continued)***

At Group level (cont'd)

Since such consolidated financial statements represent a continuation of the financial statements of the Atlantic Group:

(a) the assets and liabilities of the Atlantic Group are recognised and measured in the balance sheet of the Group at their pre-acquisition carrying amounts;

(b) the assets and liabilities of the Company are recognised and measured in the consolidated balance sheet at their acquisition-date fair values;

(c) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the Atlantic Group immediately before the reverse acquisition; and

(d) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Atlantic Group immediately before the reverse acquisition to the costs of the reverse acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the Company to effect the reverse acquisition.

At Company level

Reverse acquisition accounting applies only to the consolidated financial statements at the Group level. Therefore, in the Company's separate financial statements, the investment in the legal subsidiaries (the Atlantic Group) is accounted for at cost less accumulated impairment losses, if any, in the Company's balance sheet.

2. Summary of significant accounting policies

2.1 ***Basis of presentation***

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("USD" or "US$") and all values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

Going concern uncertainty

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

2. Summary of significant accounting policies (cont'd)

2.2 ***Adoption of new and amended standards and interpretations***

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 Leases described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

SFRS(I)16 Leases

SFRS(I)16 Leases supersedes SFRS(I) 1-17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted SFRS(I)16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, right-of-use assets recognised is equal to the lease liabilities as at 1 January 2019. Accordingly, there was no impact in the Group's and Company's opening retained earnings as at 1 January 2019. Additionally, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. The disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17.

As a lessee

The effect of adoption SFRS(I) 16 as at 1 January 2019 increase is, as follows:

	US$'000
Assets:	
Right-of-use assets	215
Liabilities:	
Lease liabilities	(215)
Total adjustment to equity	–

The impact on the consolidated statement of profit or loss and other comprehensive income during the year 2019 is disclosed in Note 12. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 2.20.

The Group has lease contracts for land and vessels. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as operating lease.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.2 ***Adoption of new and amended standards and interpretations (cont'd)***

SFRS(I)16 Leases (cont'd)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contained options to extend or terminate.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	US$'000
Assets:	
Operating lease commitments as at 31 December 2018	282
Weighted average incremental borrowing rate as at 1 January 2019	9%
Lease liabilities as at 1 January 2019	215

2.3 ***Standards issued but not yet effective***

The Company has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Descriptions	**Effective for annual periods beginning on or after**
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: *Interest Rate Benchmark Reform*	1 January 2020
Various: *Amendments to References to the Conceptual Framework in SFRS(I) Standards*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation and business combinations***

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.5 *Foreign currency*

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 *Property, vessels and equipment*

All items of property, vessels and equipment are initially recorded at cost. Subsequent to recognition, property, vessels and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Vessels	10 to 25 years
Dry docking	5 years
Machinery and equipment	3 to 5 years
Motor vehicles	3 to 5 years
Office equipment	3 to 5 years

Capital work-in-progress is not depreciated as it is not yet available for use.

The carrying values of property, vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. Summary of significant accounting policies (cont'd)

2.6 ***Property, vessels and equipment (cont'd)***

Dry docking refers to major inspections and overhauls which are required at regular intervals of 5 years over the useful life of the vessels to allow the continued use of the vessels. When major inspection and overhaul is performed, its cost is recognised in the carrying amount of the vessels as a replacement if the following recognition criteria are met:

(i) It is probable that future economic benefits associated with the asset will flow to the entity; and

(ii) The cost of the asset to the entity can be measured reliably.

Any remaining carrying amount of the cost of the previous inspection is derecognised.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 ***Intangible asset***

Intangible asset acquired separately is measured initially at cost. Following initial acquisition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life of intangible asset "Club membership" is assessed as indefinite while software/licenses estimated to have definite useful lives and are amortised from the month the software/license is acquired, made available for use or extended support cost is incurred, using the straight line method over a period of 3 years.

Intangible asset with indefinite useful life are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Club membership

Club membership acquired is measured initially at cost less any accumulated impairment loss.

Software

Software is measured at cost less accumulated amortization and impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2.10 *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint operations

The Group recognises in relation to its interest in a joint operation,

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

2. Summary of significant accounting policies (cont'd)

2.10 ***Joint arrangements (cont'd)***

Joint operations (cont'd)

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.11.

2.11 ***Joint ventures and associate***

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investment in associate and joint venture using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associate or joint venture are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture. The profit or loss reflects the share of results of the operations of the associate or joint venture. Distributions received from joint venture or associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate or joint venture are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.12 ***Financial instruments***

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortised cost or Fair Value Through Other Comprehensive Income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.12 ***Financial instruments (cont'd)***

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.13 ***Derivative financial instruments and hedging***

The Group uses derivative financial instruments such as interest rate swap contracts to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the profit and loss account. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedged item or transaction, the hedging instrument, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's (or transaction's) cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows, and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in the fair value reserve, while the ineffective portion is recognised in the profit and loss account.

Amounts taken to the fair value reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. If the hedged item is a non-financial asset or liability, the amounts taken to the fair value reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedged future cashflows are no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in other comprehensive income until the future cash flows occur, if the hedged future cash flows are still expected to occur.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.14 ***Impairment of financial assets***

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group applies a simplified approach in measuring ECLs for these financial assets and therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 ***Cash and cash equivalents***

Cash and cash equivalents comprise of cash held at hand and at banks and do not include restricted cash, bank deposits pledged and are net of bank overdrafts.

2.16 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.18 ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 ***Employee benefits***

(a) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees in accordance with the UAE labour law. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and re-measurement of the liability are recognised in profit or loss.

(b) *Employees' end of service benefits*

The Group makes provision for end of service benefits in accordance with the UAE Labour Law. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of entitlement.

(c) *Employees share option plans*

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

<u>Vesting and non-vesting conditions</u>

Vesting conditions are conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity under a share-based payment arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.19 ***Employee benefits (cont'd)***

(c) *Employees share option plans (cont'd)*

Vesting conditions are limited to two types:

– Service condition – a vesting condition that requires counterparty to complete a specified period of service which services are provided to the entity; and

– Performance condition – a vesting condition that requires

(a) the counterparty to complete a specified period of service (i.e. a service condition); the service requirement can be explicit or implicit and

(b) specified performance target(s) to be met while the counterparty is rendering the required.

Any condition that is neither a service condition nor a performance condition would be regarded as a non-vesting condition.

Non-vesting conditions are to be taken into account when estimating the fair value of the equity instruments granted.

2.20 ***Leases***

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) *As lessee*

Prior to the implementation of SFRS(I)16, operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

After the implementation of SFRS(I)16, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land : 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to accounting policies in Note 2.8.

2. Summary of significant accounting policies (cont'd)

2.20 *Leases (cont'd)*

(a) *As lessee (cont'd)*

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for operating lease income (time charter income) is set out in Note 2.21(a).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.21 ***Revenue***

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Marine logistics services*

Marine logistics services consist of services provided for time charter.

Revenue arising from chartering of vessels is calculated on a time apportionment basis in accordance with the terms and conditions of the charter agreement. Charter income is deferred to the extent that conditions necessary for its realisation have yet to be fulfilled.

Ancillary time charter revenue is recognised over time on a straight-line basis over the charter period, and the corresponding cost are charged to profit or loss using the same basis.

(b) *Ship repair, fabrication and other related marine services*

Revenue from the provision of ship repairs, fabrication and other marine related services are recognised when the performance obligation under the contracts are satisfied.

(c) *Interest income*

Interest income is recognised using the effective interest method.

2.22 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.22 ***Taxes (cont'd)***

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.23 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or

(b) a present obligation that arises from past events but is not recognised because:

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 ***Judgments made in applying accounting policies***

(a) *Proportionate consolidation of investment in joint operations*

The Group formed two separate entities, Atlantic Venture Inc. ("AVI") and Bravo Trading & Shipping Co. Ltd. ("Bravo"), to acquire two vessels and provide charter services. These entities were formed with two separate groups of third party partners. The Group holds 51% and 15% equity interests in AVI and Bravo respectively. The Group has equal representation on each of the entities' board of directors and unanimous consent is required from both the Group and the respective third party partners for all major operational decisions. Both the Group and the third party partners, in accordance with their respective participating equity interests, would have the rights to the assets and obligations to the liabilities of AVI and Bravo. Based on these facts and circumstances, management concluded that the Group has joint control over AVI and Bravo and, therefore, recognised its share of each of the assets and the liabilities in respect of its interest in the respective joint operation in its financial statements.

During the year, the Group disposed its equity interest in Bravo.

(b) *Leases – Determining the lease term of contracts with renewal and termination options*

The application of SFRS(I) 16 requires the Group to make judgements that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: determining contracts in scope of SFRS(I) 16 and determining the contract term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by the option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

3.2 ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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For the financial year ended 31 December 2019

3. Significant accounting estimates and judgments (cont'd)

3.2 ***Key sources of estimation uncertainty (cont'd)***

(a) *Residual values and useful lives of vessels and machinery and equipment*

The Group reviews the residual values and useful lives of vessels and equipment at the end of each reporting period in accordance with the accounting policy stated in Note 2.6. The cost of the vessels and equipment is depreciated on a straight-line basis over the vessels and equipment's estimated useful lives. Management estimates the useful lives of the vessels to be within 10 to 25 years and equipment to be within 3 to 5 years.

Changes in the expected level of usage and technological developments could impact the economic useful lives of the vessels and equipment; therefore future depreciation charges could be revised. The carrying amount of the Group's vessels, machinery and equipment as at 31 December 2019 was US$164,004,000 (2018: US$178,571,000). A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately US$951,000 (2018: US$863,000) variance in the Group's profit/(loss) before tax.

(b) *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Group performs an annual impairment test on the vessels with indicator as at year end. The impairment test is conducted by comparing the carrying amount of the vessels to their respective recoverable amount, which is the higher of its fair value less cost to sell and the value in use. For vessels which recoverable amounts were estimated based on fair value less costs to sell, the assessment requires the Group to engage external valuation expert to perform valuations of the assets.

For the purposes of impairment assessment of vessels, the fair value less cost to dispose is determined mainly based on valuation reports issued by independent professional valuers. The impairment charge for the financial year was US$ Nil (2018: US$16,357,000). If the fair value less cost to dispose decrease by 10% from the fair value based on valuation reports, the impairment charges will increase by US$12,240,000 (2018: US$11,022,000).

(c) *Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 35.

The carrying amount of trade receivables as at 31 December 2019 are US$9,249,000 (2018: US$4,978,000).

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For the financial year ended 31 December 2019

4. Revenue

	Group	
	2019	2018
	US$'000	US$'000
Disaggregation of revenue		
Type of services		
Time charter - lease revenue	55,108	45,945
Other ancillary time charter revenue	20,383	11,878
Ship repair, fabrication and other related marine services	1,027	978
	76,518	58,801

The Group accounts for the lease of vessels and time charter under SFRS(I)16 Leases as lease revenue. Time charter comprises of lease of vessels and provision of other ancillary services. Other ancillary services include provision of crew and other services under the time charter contracts. The Group separates the lease and non-lease components of time charter by allocating the transaction price based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on cost plus approach where management determined the cost for the leases of vessels and services and apply a margin based on the Group's business pricing strategies and practices.

Refer to Note 37 for revenue disclosure by operating business segments and geographical location.

5. Finance income and costs

	Group	
	2019	2018
	US$'000	US$'000
Finance income:		
Interest income from bank balance	6	5
Finance costs:		
Interest expense on bank loans	6,108	7,253
Interest expense on loans from shareholders	584	446
Interest expense on lease liabilities	19	–
	6,711	7,699

6. Other income

	Group	
	2019	2018
	US$'000	US$'000
Insurance claim	–	92
Miscellaneous income	247	102
Net gain on disposal of property, vessels and equipment	–	125
	247	319

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Other expenses

	Note	Group 2019 US$'000	Group 2018 US$'000
Provision for an arbitration case		–	500
Net loss on disposal of property, vessels and equipment		502	–
Impairment loss on property, vessels and equipment	11	–	16,357
		502	16,857

8. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Note	Group 2019 US$'000	Group 2018 US$'000
Audit fees paid to:			
- Auditors of the Company		61	61
- Other auditors		44	57
Non-audit fees paid to:			
- Auditors of the Company		3	3
Depreciation of property, vessels and equipment	11	9,509	8,626
Depreciation of right-of-use asset	12	65	–
Employee benefits expense [(1)]	29	20,701	16,186
Allowance for doubtful trade debts	19	257	154
Short term operating lease expense	12	12,522	9,294
Inventories recognised as an expense in cost of services	17	256	214

(1) Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 29 and Note 31(b).

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group 2019 US$'000	Group 2018 US$'000
Consolidated statement of comprehensive income:		
Current income tax		
- Income tax	2	–
Income tax expense recognised in profit or loss	2	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. Income tax expense (cont'd)

Relationship between income tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Profit/(loss) before tax	2,404	(16,916)
Tax at the domestic rates applicable to profits in the countries where the Group operates	2	(94)
Adjustment:		
Non-deductible expenses	–	94
Income tax expense recognised in profit or loss	2	–

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Company is subject to tax at the applicable rate in accordance with the relevant tax laws and regulations in Singapore. The Company's subsidiaries are either incorporated in BVI or UAE (Note 14). The BVI incorporated subsidiaries are incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from payment of BVI income taxes. According to the relevant UAE laws, the UAE incorporated subsidiaries are not required to pay UAE income taxes.

10. Earnings/(loss) per share

Basic earnings/(loss) per share from continuing operations are calculated by dividing profit/(loss) from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/(loss) per share from continuing operations are calculated by dividing profit/ (loss) from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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For the financial year ended 31 December 2019

10. Earnings/(loss) per share (cont'd)

The following tables reflect the profit/(loss) and share data used in the computation of basic and diluted earnings/(loss) per share for the years ended 31 December:

	Group	
	2019	**2018**
	US$'000	US$'000
Profit/(loss) for the year attributable to owners of the Company used in the computation of basic and diluted earnings/(loss) per share	2,402	(16,916)
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic profit/(loss) per share computation	523,512	275,000
Effects of dilution:		
- Share options	–	–
Weighted average number of ordinary shares outstanding for diluted profit/(loss) per share computation	523,512	275,000
Basic earnings/(loss) per share (US$ cents)	0.46	(6.15)
Diluted earnings/(loss) per share (US$ cents)	0.46	(6.15)

750,000 (2018: 4,800,000) under the existing Atlantic ESOS. Share options granted to employee have not been included in the calculation of diluted earnings/(loss) per share because they are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Property, vessels and equipment

Group	Vessels	Dry docking	Machinery and equipment	Motor vehicles	Office equipment	Capital work-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:							
At 1 January 2018	186,163	2,809	210	272	194	2,631	192,279
Additions	45,295	227	–	–	–	–	45,522
Disposals	(1,099)	–	–	–	–	–	(1,099)
Reclassifications	2,631	–	–	–	–	(2,631)	–
At 31 December 2018 and 1 January 2019	232,990	3,036	210	272	194	–	236,702
Additions	–	1,266	–	–	–	–	1,266
Disposals	(5,129)	(1,022)	–	(37)	–	–	(6,188)
Reclassifications	(3,722)	3,722	–	–	–	–	–
At 31 December 2019	224,139	7,002	210	235	194	–	231,780
Accumulated depreciation:							
At 1 January 2018	30,703	1,365	161	163	175	–	32,567
Depreciation for the year	7,948	638	4	30	6	–	8,626
Impairment loss	16,357	–	–	–	–	–	16,357
Disposals	(544)	–	–	–	–	–	(544)
At 31 December 2018 and 1 January 2019	54,464	2,003	165	193	181	–	57,006
Depreciation for the year	7,814	1,663	4	28	–	–	9,509
Disposals	(2,102)	(931)	–	(32)	–	–	(3,065)
At 31 December 2019	60,176	2,735	169	189	181	–	63,450
Net carrying amount:							
At 31 December 2018	178,526	1,033	45	79	13	–	179,696
At 31 December 2019	163,963	4,267	41	46	13	–	168,330

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Property, vessels and equipment (cont'd)

Capitalisation of borrowing costs

The Group's capital work-in-progress includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of seven vessels. During the financial year, the borrowing costs capitalised, including unwinding of interests, as cost of capital work-in-progress amounted to US$ Nil (2018: US$499,000). The average rate used to determine the amount of borrowing costs eligible for capitalisation was Nil% (2018: 6.81% to 6.94%), which is the effective interest rate of the specific borrowing.

Assets pledged as security

Vessels with a carrying value of US$163,963,000 (2018: US$160,505,000) were pledged to secure bank loans (Note 21).

Capital work-in-progress

Capital work-in-progress relates to vessels under construction.

Impairment of assets

In the financial year ended 31 December 2018, in view of the low utilisation rate of and low margin generated from the Group's operating vessels as well as the current market environment in the oil and gas industry, a subsidiary of the Group, Atlantic Navigation Holdings Inc. carried out a review of the recoverable amount of its vessels. An impairment loss of US$16,357,000 representing the write-down of these vessels to the recoverable amount was recognised in "Other expenses" line item of profit or loss for the financial year ended 31 December 2018. The recoverable amount of the vessels was based on the valuation report from an independent valuer. There is no impairment loss recognised for financial year ended 31 December 2019.

12. Right-of-use asset

Group as a lessee

The Group has lease contracts for various items of land and other equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of vessels with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

12. Right-of-use asset (cont'd)

(i) Right-of-use asset

Set out below are the carrying amounts of right-of-use asset recognised and the movements during the period:

	Land lease
	US$'000
As at 31 December 2018 and 1 January 2019	–
Adoption of SFRS(I) 16	215
Depreciation expense	(65)
As at 31 December 2019	150

(ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities during the period:

	2019
	US$'000
As at 31 December 2018 and 1 January 2019	–
Adoption of SFRS(I) 16	215
Accretion of interest	19
Payments	(84)
As at 31 December 2019	150
Classified as:	
Current	72
Non-current	78

The maturity analysis of lease liabilities is disclosed in Note 35.

(iii) Statement of comprehensive income

The following items have been included in arriving at profit/(loss) before taxation:

	2019
	US$'000
Depreciation of right-of-use asset	65
Interest expense on lease liabilities	19
Short term operating lease expenses	12,522
Total amount recognised in profit or loss	12,606

12. Right-of-use asset (cont'd)

(iv) Others

The Group has lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the Group's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised (Note 3.1(b)).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in the lease term:

	Within five years	More than five years	Total
	US$'000	US$'000	US$'000
Potential future rental payments not included in the lease team	425	850	1,275

13. Intangible assets

Group	Software	Club membership	Total
	US$'000	US$'000	US$'000
Cost:			
At 1 January 2018, 31 December 2018 and 1 January 2019	–	141	141
Additions	11	–	11
At 31 December 2019	11	141	152
Accumulated amortisation:			
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–
Additions	2	–	2
At 31 December 2019	2	–	2
Net carrying amount:			
At 31 December 2018	–	141	141
At 31 December 2019	9	141	150

The club membership with lifetime tenure is assessed as having an indefinite useful life and not amortised.

	Company	
	2019	**2018**
	US$'000	US$'000
Club membership	141	141

14. Investment in subsidiaries

	Company 2019	Company 2018
	US$'000	US$'000
Unquoted equity shares, at cost	66,741	66,741

The Group has the following significant investment in subsidiaries:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019 %	Proportion (%) of ownership interest 2018 %
Held by the Company:				
[(2)] Atlantic Navigation Holdings Inc.	BVI	Investment holding	100	100
Held by Atlantic Navigation Holdings Inc.:				
[(1)] Atlantic Maritime Group FZE	UAE	Commercial and administrative manager of the Group's marine logistics services business and provider of ship repair, fabrication and other marine services	100	100
[(2)] Atlantic Oceana Inc	BVI	Ship owner	100	100
[(2)] Atlantic Offshore Services Inc	BVI	Ship owner	100	100
[(2)] Bimar Offshore Inc	BVI	Ship owner	100	100
[(2)] Atlantic Offshore Inc	BVI	Ship owner	100	100
[(2)] Crossworld Marine Services Inc	BVI	Ship owner	100	100
[(2)] Oasis Marine Inc	BVI	Ship owner	100	100
[(2)] Pacific International Offshore Inc	BVI	Ship owner	100	100

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For the financial year ended 31 December 2019

14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019 %	2018 %
[2] Atlantic Navigation Limited	BVI	Ship owner	100	100
[2] Lift-Offshore Inc	BVI	Ship owner	100	100
[2] Atnav Holdings Inc.	BVI	Investment holding	100	100
Held by* Atnav Holdings Inc.*:				
[2] ATNAV Nautical Inc.	BVI	Ship owner	100	100
[2] ATNAV Maritime Inc.	BVI	Ship owner	100	100
[2] ATNAV International Inc.	BVI	Ship owner	100	100
[2] ATNAV Oceanic Inc.	BVI	Ship owner	100	100
[2] ATNAV Marine Inc.	BVI	Ship owner	100	100
[2] ATNAV Inc.	BVI	Ship owner	100	100
[2] ATNAV Offshore Inc.	BVI	Ship owner	100	100
Held by Atlantic Maritime Group FZE:				
[1] Atlantic Ship Management LLC	UAE	Ship management	49 #	49 #
[2] Atlantic Maritime Ghana Private Limited	Ghana	Ship brokerage services (inactive)	90	90

(1) Audited by member firms of EY Global in the respective countries.
(2) These entities are not required to be audited under the laws of the country of incorporation.
\# This represents the legal interests of the Group in Atlantic Ship Management LLC. Atlantic Ship Management LLC is considered a wholly-owned subsidiary of the Group as the Directors have assessed and concluded that the Group has full control over the financial and operating policies and activities of this entity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. Investment in a joint venture

In 2018, the Group has 40% interest in the ownership and voting rights in a joint venture business (consortium) with one of the partners that is held through a subsidiary, Atlantic Ship Management LLC. The joint venture is a strategic business venture in the purchase and removal of decommissioned offshore/onshore facilities. The Group jointly controls the venture with the other partners under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

On 11 December 2019, the Group entered into a dissolution agreement to dissolve the consortium.

Details of the joint venture as at 31 December are as follows:

	2019	2018
	%	%
Proportion of ownership interest held by Atlantic Ship Management LLC	–	40

Summarised financial information in respect of the consortium based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group 2018
	US$'000
Current assets	12,716
Total assets	12,716
Current liabilities	11,614
Total liabilities	11,614
Net assets	1,102
Group's share of net assets	708
Carrying amount of the investment	708

Summarised statement of comprehensive income

	Group 2019	Group 2018
	US$'000	US$'000
Revenue	1,992	39,994
Operating expenses	(1,762)	(39,051)
Profit before tax, representing total comprehensive income	230	943
Share of results of a joint venture	92	631

Summarised below are the effects of the dissolution

	Group 2019
	US$'000
Cash consideration from dissolution	896
Carrying value of the investment derecognised	(800)
Expenses in relation to dissolution of joint venture	(96)
Loss on disposal	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. Investment in joint operations

The Group has 51% interest in the ownership and voting rights in Atlantic Ventures Inc ("AVI"), that is held through a subsidiary, Atlantic Navigation Holdings Inc. AVI is incorporated in the British Virgin Islands.

In 2018, the Group had 15% interest in the ownership and voting rights in Bravo Shipping and Trading Co. Ltd ("Bravo"), that was held through a subsidiary, Atlantic Navigation Holdings Inc. Bravo is incorporated in Saint Vincent and the Grenadines. On 27 June 2019, the Group entered into a sales agreement to dispose 15% of its shareholding in Bravo.

The Group jointly controls the joint operations with the respective third party partners under contractual agreements that require unanimous consent for all major operational and administrative decisions over the relevant activities.

Details of the joint operations as at 31 December 2019 are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019 %	2018 %
Held by Atlantic Navigation Holdings Inc.				
[1] Atlantic Ventures Inc.	BVI	Buying, owning, chartering and selling of vessels	51	51
[1] [2] Bravo Shipping and Trading Co. Ltd.	Saint Vincent and the Grenadines	Buying, owning, chartering and selling of vessels	–	15

[1] These entities are not required to be audited under the laws of the country of incorporation.
[2] The investment in entity is disposed in June 2019.

The Group has recognised its share of revenue and expenses, and assets and liabilities in respect of its interest in the respective joint operations.

Summarised below are the effects of the disposal:

	Group 2019 US$'000
Consideration	1,150
Less: Consideration receivables	(250)
Net cash inflow on disposal of joint operations	900
Loss on disposal:	
Consideration	1,150
Net assets derecognised	(1,739)
Loss on disposal	(589)

17. Inventories

	Group	
	2019	2018
	US$'000	US$'000
Balance sheet:		
Fuel and other materials	611	184
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of services	256	214

During the financial years ended 31 December 2019 and 2018, there have been no inventory written off or allowance for inventory obsolescence.

18. Advances, deposits and other receivables

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Current:				
Sundry debtors	53	255	–	–
Deposits	207	216	–	–
Advances to staff	89	430	–	–
Advances to suppliers	–	403	–	–
Deferred assets	201	–	–	–
Due from a joint operation (non-trade)	2,199	1,893	–	–
Due from a subsidiary (non-trade)	–	–	11,595	10,453
	2,749	3,197	11,595	10,453
Non-current:				
Due from a subsidiary (non-trade)	–	–	39,999	45,956
	2,749	3,197	51,594	56,409

Deferred assets

This represents the contractual deduction related to a contract with a customer and is amortised over the term of the contract.

Due from a joint operation (non-trade)

Amounts due from a joint operation are unsecured, non-interest bearing, and are to be settled in cash.

Due from a subsidiary (non-trade)

Amounts due from a subsidiary are unsecured, non-interest bearing, and are to be settled in cash.

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For the financial year ended 31 December 2019

19. Trade receivables

	Group		Company	
	31 December		31 December	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Trade receivable (current)				
Trade receivables	9,249	4,978	–	–
Retention receivable	4,571	4,002	–	–
Unbilled receivables	6,759	2,933	3,419	–
	20,579	11,913	3,419	–
Add:				
- Advances, deposits and other receivables (current and non-current) (Note 18)	2,749	3,197	51,594	56,409
- Cash and bank balances (Note 20)	1,755	4,935	632	1,805
- Bank deposits pledged (Note 20)	235	250	235	235
- Restricted cash (Note 20)	363	–	–	–
Total financial assets carried at amortised cost	25,681	20,295	55,880	58,449

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2019	2018
	US$'000	US$'000
Arab Emirates Dirham	145	322

Retention receivables

Retention receivables represent the retention of 10% of the invoice amounts from one of the debtors. The amount is repayable in cash to the Group upon tax clearance from the Saudi Arabian tax authorities generally within 12 months.

Unbilled receivables

Unbilled trade receivables relate to the Group's right to consideration for charter hire earned but not yet billed at the reporting date.

Significant changes in unbilled trade receivables and retention receivables are explained as follows:

	2019	2018
	US$'000	US$'000
Unbilled trade receivables reclassified to trade receivables	6,935	102
Charter revenue earned but not yet billed	11,330	6,935

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For the financial year ended 31 December 2019

19. Trade receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group 2019 US$'000	Group 2018 US$'000
Movement in allowance accounts:		
At 1 January	1,365	2,944
Charge for the year (Note 8)	257	154
Written off during the year	(2)	(1,733)
Written back during the year	(245)	–
At 31 December	1,375	1,365

Receivables subject to offsetting arrangements

The Group provides ship repair and other services to and charters vessels from various ship owners. There is no arrangement to settle the amount due to or from each other on a net basis but have the right to set off when mutually agreed between both parties.

The Group's trade receivables and trade payables that are off-set are as follows:

	31 December 2019 US$'000		
	Gross carrying amounts	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Description			
Trade receivables	40	(40)	–
Trade payables	265	(40)	225

	31 December 2018 US$'000		
	Gross carrying amounts	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Description			
Trade receivables	1,120	(1,120)	–
Trade payables	1,501	(1,120)	381

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For the financial year ended 31 December 2019

20. Cash and bank balances
Bank deposits pledged
Restricted cash

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	1,755	4,935	632	1,805
Bank deposits pledged	235	250	235	235
Restricted cash	363	–	–	–
	2,353	5,185	867	2,040

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank deposits are pledged for the Group's loans and borrowings and earn interest at the respective bank deposit rates. The weighted average effective interest rates as at 31 December 2019 for the Group and the Company were 2.30% (2018: 1.70%).

Restricted cash are held by a bank for performance guarantees issued. These balances are not available for general use and can only be made available on the maturity of guarantee tenor.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Saudi Riyals	–	1,375	–	–
Arab Emirates Dirham	558	198	–	–
Singapore Dollars	43	96	43	96
	601	1,669	43	96

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2019	2018
	US$'000	US$'000
Cash and bank balances	1,755	4,935
Bank overdrafts (Note 21)	(330)	–
Cash and cash equivalents	1,425	4,935

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Current:				
Bank loan				
- USD loan at 1-month LIBOR + 4.00% pa (1)	5,364	5,434	5,434	5,434
- USD loan 1-month LIBOR + 4.00% pa (2)	755	755	755	755
- USD revolving loan at 1-month cost of funds + 3.50% pa (3)	1,150	1,150	1,150	1,150
- USD loan at 1-month LIBOR + 4.00% pa (4)	318	318	318	318
- USD loan at LIBOR + 3.75% p.a. (5)	643	1,071	–	–
- USD loan at 3-month LIBOR + 3.75% p.a. (6)	–	2,000	–	–
- USD revolving loan at 3-month LIBOR + 4.50% p.a. (7)	–	3,409	–	–
- USD short term loan at 7% per annum (8)	–	626	–	–
Bank overdrafts (9)	330	–	–	–
USD loan at 10% per annum (10)	1,700	1,700	–	–
- USD loan at 3-month LIBOR + 4.5% p.a. (11)	4,232	4,260	–	–
- USD loan at 1-month LIBOR + 4% p.a. (12)	773	–	–	–
- AED loan at 1-month EIBOR + 3% p.a. (13)	1,077	–	–	–
	16,342	20,723	7,657	7,657
Non-current:				
Bank loan				
- USD loan at 1-month LIBOR + 4.00% p.a. (1)	12,583	18,115	12,680	18,115
- USD loan 1-month LIBOR + 4.00% pa (2)	1,762	2,518	1,762	2,518
- USD revolving loan at 1-month cost of funds + 3.50% p.a. (3)	2,683	3,833	2,683	3,833
- USD loan at 1-month LIBOR + 4.00% p.a. (4)	741	1,057	741	1,057
- USD loan at LIBOR + 3.75% p.a. (5)	–	429	–	–
- USD Loan at 3-month LIBOR +3.75% p.a. (6)	–	4,000	–	–
- USD loan at 10% per annum (10)	5,100	6,800	–	–
- USD loan at 3-month LIBOR + 4.5% p.a. (11)	21,130	25,560	–	–
- USD loan at 1-month LIBOR + 4% p.a. (12)	8,727	–	–	–
	52,726	62,312	17,866	25,523
Total loans and borrowings	69,068	83,035	25,523	33,180

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Loans and borrowings (cont'd)

(1) This facility was availed in January 2016 bearing interest at 3-month LIBOR + 3.50% per annum and was repayable over 5 years in 20 equal quarterly instalments with the last instalment due in April 2021. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extended the tenure from 20 quarterly instalments to 72 monthly instalments on the revised interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessel (Note 11)
- Assignment of earnings/charter proceeds, insurances and requisition compensation of mortgaged vessel
- Assignment of all rights, title and interests of mortgaged vessel's charters
- Bank deposits pledged in a retention account (a)
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintaining aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

(2) This facility was availed in June 2014 on the interest at 3-month LIBOR + 3.50% per annum and is repayable over 4 years in 16 equal quarterly instalments with the last instalment due in June 2018. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extended the tenure from 16 quarterly instalments to 72 monthly instalments on the revised interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due on in March 2023.

- Mortgage over certain vessels (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessel's charters
- Bank deposits pledged in a retention account (a)
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

(3) This facility is a revolving loan facility availed in August 2014 and repayable on demand. The effective interest rates for this facility had ranged from 3.98% to 4.08% per annum. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and amended the revolving facility to a monthly step down for a tenure of six years (72 monthly instalments) on the revised interest rate at 3.50% per annum above one (1) month USD LIBOR with last instalment due on in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessel (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessel
- Assignment of all rights, title and interests of mortgaged vessel's charters
- The loan includes a financial covenant which require the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

(4) This facility was availed in December 2015 on the interest at 3-month LIBOR + 3.50% per annum and is repayable over 4 years in 16 equal quarterly instalments with the last instalment due in December 2019. Pursuant to the request of the Company, the bank has rescheduled the payment terms of this loan with effect from April 2017 and extend the tenure from 20 quarterly instalments to 72 monthly instalments on the interest rate at 4.00% per annum above one (1) month USD LIBOR with last instalment due on in March 2023. The securities provided for this loan comprise:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings/charter proceeds and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessel's charters
- Bank deposits pledged in a retention account [a]
- The loan includes financial covenants which require the Group to maintain Tangible Net Worth of at least USD 50 million as well as maintain aggregate financing outstanding under existing facilities with the bank to below 75% of the aggregate value of the vessels under the loan.

21. Loans and borrowings (cont'd)

(5) This loan carried interest at LIBOR + 3.75% per annum and is repayable over 5 years in 20 equal quarterly instalments with the last instalment due in August 2020. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a subsidiary of the Group
- Bank deposits pledged in a retention account
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 50 million

Even though there are underlying physical assets or trading transactions with profit-sharing elements in these financing arrangements, to comply with Islamic financing requirements, the economic substance is largely comparable to that of conventional loan facilities.

Accordingly, the accounting treatment for these Islamic term financing arrangements will be the same as that of conventional loan financing arrangements. The sales proceeds and profit margins will be classified as principal of the loans outstanding and interest expenses accordingly, supported with appropriate explanatory disclosures.

(6) This loan carried interest at 3-month LIBOR + 3.75% per annum and is repayable in 22 equal quarterly instalments commencing at the end of 3 months moratorium period from February 01, 2016 with the last instalment due in November 2021. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by the Company and certain subsidiaries of the Group
- Bank deposits pledged in a retention account
- Pledge over the shares of the Group's subsidiaries owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 80 million (2018: USD 88.2 million).

The Company has fully settled the loan in November 2019.

(7) This facility is repayable on demand. The loan carried interest rates at this facility is 3-month LIBOR + 4.50% per annum. The securities provided for this loan comprise:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by the Company and certain subsidiaries of the Group
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 80 million (2018: USD 88.2 million).

The Company has fully settled the loan in November 2019.

(8) This is a short term unsecured loan availed from a private establishment in February 2017, repayable after 454 days after the date of the receipt of the loan. The short term loan carried interest rates at 7.00% per annum.

The Company has fully settled the short term loan in January 2019.

(9) Bank overdrafts are denominated in AED, bear interest at 3-month EIBOR + 5% per annum. The facility is for the purpose of working capital requirement and is required to be settled twice a year.

(10) This is a long term loan availed from a private establishment in 28 March 2018, repayable in five (5) yearly instalments. The long term loan carried interest rates at 10.00% per annum. The securities provided for this loan comprise:

- Corporate guarantee by the Company and certain subsidiaries of the Group.
- Mortgage over certain vessels (Note 11)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Loans and borrowings (cont'd)

(11) This loan carried interest at 3-month LIBOR + 4.5% per annum and is repayable in 28 equal quarterly instalments over a period of seven (7) years commencing at the end of 6 months moratorium period from January 03, 2018 with the last instalment due in October 2025. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by the Company and certain subsidiaries of the Group
- Bank deposits pledged in a retention account
- Pledge over the shares of the Group's subsidiaries owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 80 million (2018: USD 88.2 million).

(12) This loan carried interest at 1-month LIBOR + 4% per annum and is repayable in 59 equal monthly instalments and a final instalment of 20% balloon payment together with interest over a period of five (5) years commencing at the end of 6 months moratorium period from June 07, 2020 with the last instalment due in May 2025. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by the Company and certain subsidiaries of the Group
- Bank deposits pledged in a retention account
- Pledge over the shares of the Group's subsidiaries owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 80 million. Adjusted leverage ratio for the Group not to exceed 1.75:1 and maintain Loan to Value (LTV) of 65% or below at all the times during the tenure of the loan.

(13) This loan carried interest at 1-month EIBOR + 3% per annum and is repayable in 10 equal monthly instalments commencing from November 2019 with the last instalment due in August 2020. The securities provided for this loan comprised:

- Mortgage over certain vessels (Note 11)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by the Company
- Bank deposits pledged in a retention account
- Pledge over the shares of the Group's subsidiaries owning the vessel(s) mortgaged
- The loan includes a financial covenant which requires the Group to maintain Tangible Net Worth of at least USD 80 million. Adjusted leverage ratio for the Group not to exceed 1.75:1 and maintain Loan to Value (LTV) of 65% or below at all the times during the tenure of the loan.

21. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities excluding bank overdrafts is as follows:

	2018	**Cash flows, net**	**Non-cash changes**			**2019**
			Adoption of SFRS(I) 16	**Accretion of interest**	**Others**	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Bank loans						
- Current	20,723	(18,757)	–	–	14,046	16,012
- Non-current	62,312	4,460	–	–	(14,046)	52,726
Lease liabilities (Note 12)	–	(84)	215	19	–	150
Amount due to shareholders (Note 25)						
- Current	–	3,818	–	–	–	3,818
- Non-current	7,332	–	–	1,290	–	8,622
Total	90,367	(10,563)	215	1,309	–	81,328

	2017	**Cash flows, net**	**Non-cash changes**		**2018**
			Convertible loan instrument non-cash items	**Others**	
	US$'000	US$'000	US$'000	US$'000	US$'000
Bank loans					
- Current	19,168	(6,545)	–	8,100	20,723
- Non-current	40,680	29,732	–	(8,100)	62,312
Convertible loan instrument	14,554	(14,554)	–	–	–
Amount due to shareholders (Note 25)	7,332	–	–	–	7,332
Total	81,734	8,633	–	–	90,367

The "others" column relates to reclassification of non-current portion of loans and borrowings due to passage of time and rescheduling of payment terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Trade payables

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Trade payables (current)				
Trade payables	12,763	11,242	–	–
Retention payables	1,825	1,198	–	–
Provision for direct expenses	5,387	3,946	2,058	–
	19,975	16,386	2,058	–
Add:				
- Accruals and other payables (Note 23)	6,694	9,501	509	1,360
- Amount due to shareholders (current and non-current) (Note 25)	12,440	7,332	11,622	7,332
- Lease liabilities (current and non-current) (Note 12)	150	–	–	–
- Loan and borrowings (Note 21)	69,068	83,035	25,523	33,180
Total financial liabilities carried at amortised cost	108,327	116,254	39,712	41,872

Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days' terms.

Retention payables

Retention payables represent the retention of 10% of the invoice amount to one of the creditor. The amount is repayable in cash to the creditor generally within 12 months.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group	
	2019	2018
	US$'000	US$'000
Arab Emirates Dirham	3,148	4,111
Saudi Riyal	1,142	1,425
Qatari Riyal	98	76
Euro	7	132

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Accruals and other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Other payables	163	2,678	163	186
Accrued operating expenses	5,295	5,732	–	–
Due to a related company (non-trade)	1,114	996	224	1,079
Due to directors	122	95	122	95
	6,694	9,501	509	1,360

Due to a related company (non-trade) / Due to directors

These amounts are unsecured, non-interest bearing, and are to be settled in cash. The amounts due to the directors are in relation to independent directors including their fees for services rendered.

24. Other non-financial liabilities

	Group	
	2019	**2018**
	US$'000	US$'000
Advances from customers	57	523
Deferred liabilities	–	167
	57	690

Deferred liabilities referred to the penalties imposed to the Group due to the delay in the start of fulfilment of contracts net of the liquidated damages received as a result of the delay in the delivery of new vessels by the shipyard commissioned by the Group.

25. Amount due to shareholders

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current:				
Advances from a shareholder(1)	3,000	–	3,000	–
Short term loans due to a shareholder(2)	818	–	–	–
	3,818	–	3,000	–
Non-current:				
Loans due to a shareholder (3)	7,332	7,332	7,332	7,332
Accrued interest from loans due to a shareholder (3)	1,290	–	1,290	–
	8,622	7,332	8,622	7,332

(1) Advances from a shareholder is unsecured, interest-bearing at interest rate of 6.00% per annum, and is to be settled in cash. Subsequent to the year end, an extension agreement was signed and the balance matures on 31 December 2020.

(2) Short term loans due to a shareholder are unsecured and non-interest bearing and are to be settled in cash.

(3) Loan due to a shareholder is unsecured, interest-bearing at interest rate of 6.00% per annum and is to be settled in cash. The loan as well as its accrued interest is payable after 12 months from 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. Provisions

	Group 2019 US$'000	Group 2018 US$'000
Employees' end of service benefits		
At 1 January	538	570
Provision made (Note 29)	97	150
Provision utilised	(82)	(182)
At 31 December	553	538

The Group makes provision for employees' end of service benefits ("EOSB") in order to meet the minimum benefits required to be paid to qualified employees, as required under the Federal Law No. 8 of 1980 Regulating Labour Relations (the "Labour Law") of the UAE. The EOSB for the qualified employees is calculated as follows:

(a) 21 days salary for each of the first five years using last drawn salary; and

(b) 30 days salary for each additional year using last drawn salary, provided that total EOSB amount should not exceed 2 years of salaries.

27. Share capital

	Group No. of shares ('000) (1)	Group US$'000	Company No. of shares ('000) (1)	Company US$'000
Issued and fully paid ordinary shares:				
At 1 January 2018	260,594	12,370 (2)	260,594	85,534 (2)
Issuance of new ordinary shares in the share capital of the Company	262,918	26,000	262,918	26,000
Share issuance expense	–	(63)	–	(63)
At 31 December 2018, 1 January 2019 and 31 December 2019	523,512	38,307	523,512	111,471

(1) The equity structure (i.e. the number and types of equity instruments issued) reflect the equity structure of the Company, being the legal parent, including the equity instruments issued by the Company to effect the reverse acquisition.

(2) The amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of Atlantic Navigation Holdings Inc. and its subsidiaries immediately before the reverse acquisition the costs of the reverse acquisition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

The Company has employee share option plans under which options to subscribe for the Company's ordinary shares have been granted to certain employees of the Group and directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. Other reserves

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Merger reserve (a)	259	259	–	–
Employee share option reserve (b)	373	373	373	373
Equity component of convertible loan instrument (c)	4,058	4,058	4,058	4,058
Fair value reserve (d)	(721)	–	–	–
	3,969	4,690	4,431	4,431

(a) ***Merger reserve***

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method.

(b) ***Employee share option reserve***

Employee share option reserve represents the equity-settled share options granted to employees (Note 29). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(c) ***Equity component of convertible loan instrument***

This represents the residual amount of convertible loan instrument after deducting the fair value of the liability component. This amount is presented net of transaction costs arising from the convertible loan instrument.

(d) ***Fair value reserve***

Fair value reserve represents the portion of the fair value changes (net of tax) on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

29. Employee benefits

		Group	
	Note	**2019**	**2018**
		US$'000	US$'000
Wages, salaries and bonuses		20,604	16,036
Share-based payments (Employee share option plans)		–	–
Employees' end of service benefits	26	97	150
		20,701	16,186

Employee share option plans

Atlantic Employee Share Option Scheme ("Atlantic 2008 ESOS")

Under Atlantic 2008 ESOS, 4,050,000 share options were granted to certain employees of the Group and directors of the Company. 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. There are no cash settlement alternatives. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

None of the share options under the Atlantic 2008 ESOS were exercised during the financial year and has expired on 29 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Employee benefits (Cont'd)

Atlantic 2015 Employee Share Option Scheme ("Atlantic 2015 ESOS")

Under the Atlantic 2015 ESOS, 750,000 share options were granted to a director of the Company. 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. There are no cash settlement alternatives. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

Movement of share options during the financial year

The following table illustrates the number (No.) and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2019		2018	
	No.	WAEP	No.	WAEP
Outstanding at 1 January	4,800,000	S$0.35	4,800,000	S$0.35
Exercisable at 31 December	750,000	S$0.43	4,800,000	S$0.35

– No options were granted and no options were exercised during the financial year ended 31 December 2019 and 2018.

– The exercise price for options outstanding at the end of the year was $0.43 (2018: S$0.43). The weighted average remaining contractual life for these options is 0.36 years (2018: 0.43 years).

Fair value of share options granted

The fair value of the share options granted under the Atlantic 2008 ESOS and Atlantic 2015 ESOS are estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs to the option pricing models for the respective ESOS scheme:

	Atlantic 2008 ESOS		Atlantic 2015 ESOS	
	Tranche 1[(1)]	Tranche 2[(2)]	Tranche 1[(1)]	Tranche 2[(2)]
Dividend yield (%)	1.50	1.50	2.00	2.00
Expected volatility (%)	44.67	43.69	48.83	48.83
Risk-free interest rate (% p.a.)	0.87	1.05	0.14	0.14
Expected life of an option (years)	3.00	3.50	2.85	3.11
Weighted average share price (S$)	0.34	0.34	0.43	0.43

Atlantic 2008 ESOS

(1) Tranche 1 refers to 2,025,000 share options granted to certain employees of the Group and directors of the Company on 30 January 2014, which are exercisable between 30 January 2015 and 29 January 2019.

(2) Tranche 2 refers to 2,025,000 share options granted to certain employees of the Group and directors of the Company on 30 January 2014, which are exercisable between 30 January 2016 and 29 January 2019.

Atlantic 2015 ESOS

(1) Tranche 1 refers to 375,000 share options granted to a director of the Company on 12 May 2015, which are exercisable between 12 May 2016 and 11 May 2020.

(2) Tranche 2 refers to 375,000 share options granted to a director of the Company on 12 May 2015, which are exercisable between 12 May 2017 and 11 May 2020.

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

30. Derivatives

	Group			
	2019	2019	2018	2018
	Contract/ Notional Amount	Fair value - liabilities	Contract/ Notional Amount	Fair value - liabilities
	US$'000	US$'000	US$'000	US$'000
Interest rate swap	27,930	(1,212)	27,930	(614)

The fair value of interest rate swap as shown above is determined with reference to marked-to-market values provided by counterparties.

Hedge accounting has been applied for interest rate swap that is assessed by the Group to be highly effective hedges.

The Company determines the economic relationship between the loans and borrowings and the derivative by matching the critical terms of the hedging instrument with the terms of the hedged item. The hedge ratio (the ratio between notional amount of the derivative financial instrument to the amount of the loans and borrowings being hedged) is determined to be 1:1. There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivative match exactly with the terms of the hedged item.

The interest rate swap receives floating interest equal to 3-month LIBOR, pays a fixed rate interest of 2.6% - 2.75% (2018: 2.60% - 2.75%) per annum, and matures on 3 October 2025. The Group uses the interest rate swap to hedge against the exposure to variability in cash flows from related borrowings which are pegged to US Dollar LIBOR. Under the interest rate swap, the Company receives floating interest pegged to US Dollar LIBOR and pays fixed interest.

The Group recorded a loss of on fair value changes of US$614,000 due to the interest rate swap contracts in profit and loss for the year ended 31 December 2018.

From 1 January 2019, the hedge is classified as cash flow hedges and the fair value changes of the interest rate swap is recognised in in other comprehensive income for the year ended 31 December 2019.

31. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2019	2018
	US$'000	US$'000
Payment to director-related company for services rendered	69	65
Professional fees to director-related company	–	48
Interests on shareholder loan	584	446

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31. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2019	**2018**
	US$'000	US$'000
Short-term employee benefits	1,055	1,056
Others	382	392
	1,437	1,448
Comprises amounts paid to:		
Directors of the Company	624	907
Other key management personnel	813	541
	1,437	1,448

<u>Key management personnel's interests in employee share option plan</u>

During the financial year, no share options were exercised by the directors and key management personnel of the Group during the financial year.

At the end of the reporting period, options to purchase 750,000 shares (2018: 3,030,000 shares) of the Company by directors and key management personnel were outstanding.

(c) Commitments with related parties

On 1 January 2011, Atlantic Maritime Group FZE entered into agreements with Atlantic Offshore Services LLC and Atlantic Marine Services LLC for administrative and ship management services provided by the above two director-related companies in return for management fees. The agreements remain in effect until terminated by notice.

32. Commitments

(a) Operating commitments – as lessee

The Group leases land under operating lease agreements. With the adoption of SFRS(I) 16 Leases with effect from 1 January 2019, the Group has recognised the lease liabilities representing the present value of the minimum lease payments on the statement of financial position as disclosed in Note 12. As at 31 December 2018 i.e. prior to the adoption of SFRS(I) 16 Leases, the Group had commitments of US$282,000 relating to land lease where the Group had non-cancellable rights. The future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

Group	**2018**
	US$'000
Not later than one year	85
Later than one year but not later than five years	197
	282

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For the financial year ended 31 December 2019

32. Commitments (cont'd)

(b) Operating lease commitments – as lessor

Operating lease commitments relates to vessels. These committed lease contracts have different terms and terminate at various dates and does not take into account extension options. While these committed lease contracts may still be cancelled, those clauses in these committed lease contracts are contained in vast majority of such contracts in the offshore industry as common features especially with large national oil companies but have not been invoked arbitrarily without just cause to the best of the knowledge of the Group. There was no contingent rent component included under the above committed leases relating to lease out arrangements for vessels owned by the Group as at the end of the reporting period.

On the basis and subject to the explanation above, future minimum rental receivable under such committed operating leases but cancellable (Non-cancellable: Nil) from the end of the reporting period are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Not later than one year	45,467	40,673
Later than one year but not later than five years	43,478	68,918
	88,944	109,591

33. Contingent liabilities

The Group had been working on the cancellation of, and had on, 8 March 2017, received a Notice of Rescission from the ship builder, for a ship building contract of a self-propelled self-elevating lift boat committed under a shipbuilding agreement entered in the financial year ended 2014 which was expected to be delivered in first half of the financial year ended 2017. As at 31 December 2016, the Group had written off US$5,340,000 relating to deposit and capitalisation of interest cost.

Arbitration in relation to the dispute on the Notice of Rescission with the shipbuilder as the claimant had commenced in August 2018 but is currently suspended. Negotiation with the shipbuilder is on-going and the Group had previously made a provision of US$500,000 in the financial statements in FY2018.

34. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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For the financial year ended 31 December 2019

34. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Group				
2019				
Financial liabilities				
Derivative financial instruments (Note 30)				
– Interest rate swap	–	1,212	–	1,212
	–	1,212	–	1,212
2018				
Financial liabilities				
Derivative financial instruments (Note 30)				
– Interest rate swap	–	614	–	614
	–	614	–	614

There have been no transfers between fair value measurement levels during the financial years ended 31 December 2019 and 2018.

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy.

Derivatives (Note 30)

Derivatives are carried at level 2 of the fair value hierarchy and are valued using valuation techniques with market observable inputs. The most frequent applied valuation techniques include swap models, using present value calculation. The models incorporate various inputs including credit quality of counterparties and interest rate curves.

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and bank balances (Note 20), Bank deposits pledge (Note 20), Loans and borrowings (Note 21), Advances, deposits and other receivables (Note 18), Trade receivables (Note 19), Trade payables (Note 22), Accruals and other payables (Note 23), Lease liabilities (Note 12) and Amount due to shareholders (Note 25).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or the interest on the loans approximate the prevailing market interest rate

35. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Director. The audit committee provides independent oversight on the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 365 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the value of the collateral supporting the obligation

– Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

35. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

The Group also determines that there is a significant increase in credit risk if a debtor is more than 180 days past due in making contractual payment

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the borrower or the debtor

– A breach of contract, such as a default or past due event

– It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(i) Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of oil prices.

Summarised below is the information about the credit risk exposure on the Group's trade receivables (excluding unbilled trade receivables and retention receivables) using provision matrix.

	Total	**Current**	**< 90 days**	**90 to 150 days**	**> 150 days**
	US$'000	US$'000	US$'000	US$'000	US$'000
2019					
Gross carrying amount	10,624	3,128	4,494	1,155	1,847
Loss allowance provision	(1,375)	–	–	–	(1,375)
2018					
Gross carrying amount	6,343	2,574	1,875	162	1,732
Loss allowance provision	(1,365)	–	–	–	(1,365)

In addition to the provision matrix, the Group also provide for expected credit loss for trade receivables due from debtors that were in significant financial difficulties and had defaulted on payments.

Information regarding loss allowance movement of trade receivables are disclosed in Note 19.

(ii) Amounts due from related parties at amortised cost

The Group computes expected credit loss for non-trade amounts and amounts due from related companies using the probability of default approach. In determining this ECL, the Group considers event such as significant adverse changes in financial conditions and changes in the operating results of the related companies and determined that significant increase in credit risk occur when there are changes in the risk that the specific related company will default on the payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

(i) Trade receivables (cont'd)

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for the amount due from related companies excluding trade receivables is as follows:

Category	**Definition of category**	**Basis for recognition of expected credit loss provision**	**Basis for calculating interest revenue**
Grade I	Related companies have a low risk of default and ability to meet contractual cash flows.	12-month expected credit losses	Gross carrying amount
Grade II	Loans for which there is a significant increase in credit risk.	Lifetime expected credit losses	Gross carrying amount
Grade III	Interest and/or principal repayments are 365 days past due and management assessed that there is no reasonable expectation of recovery	Lifetime expected credit losses	Amortised cost of carrying amount (net of credit allowance)

(ii) Amounts due from related companies at amortised cost

The Group provides for lifetime expected credit loss for amount due from related companies using the probability of default approach. In determining ECL, the Group considers events such as significant adverse changes in financial conditions and determined that significant increase in credit risk occur when there is changes in the risk that the specific debtors will default on the payments. Based on the Group's assessment, the amount of the allowance on these balances is insignificant.

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

(iii) Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables including retention receivables and unbilled receivables is as follows:

	2019		2018	
	US$'000	% of total	US$'000	% of total
By country:				
United Arab Emirates	7,181	35	3,106	26
Other GCC countries	12,265	60	8,390	70
China	–	–	61	–*
Singapore	997	5	282	2
Other countries	136	–*	74	1
	20,579	100	11,913	100

*Less than 1%

At the end of the reporting period, approximately 86% (2018: 76%) of the Group's trade receivables were due from 5 major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. At the end of the reporting period, approximately 24% (2018: 25%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

35. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Note	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group					
2019					
Financial assets					
Trade receivables	19	20,579	–	–	20,579
Advances, deposits and other receivables	18	2,749	–	–	2,749
Cash and bank balances	20	1,755	–	–	1,755
Bank deposits pledged	20	235	–	–	235
Restricted cash	20	363	–	–	363
Total undiscounted financial assets		25,681	–	–	25,681
Financial liabilities					
Trade payables	22	19,975	–	–	19,975
Accruals and other payables	23	6,694	–	–	6,694
Amount due to shareholders	25	3,998	9,064	–	13,062
Lease liabilities	12	85	197	–	282
Loans and borrowings	21	21,562	59,630	7,264	88,456
Total undiscounted financial liabilities		52,314	68,891	7,264	128,469
Total net undiscounted financial liabilities		26,633	68,891	7,264	102,788
2018					
Financial assets					
Trade receivables	19	11,913	–	–	11,913
Advances, deposits and other receivables	18	3,197	–	–	3,197
Cash and bank balances	20	4,935	–	–	4,935
Bank deposits pledged	20	250	–	–	250
Total undiscounted financial assets		20,295	–	–	20,295
Financial liabilities					
Trade payables	22	16,386	–	–	16,386
Accruals and other payables	23	9,501	–	–	9,501
Amount due to shareholders	25	–	7,774	–	7,774
Loans and borrowings	21	26,119	77,791	12,122	116,032
Total undiscounted financial liabilities		52,006	85,565	12,122	149,693
Total net undiscounted financial liabilities		31,711	85,565	12,122	129,398

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For the financial year ended 31 December 2019

35. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

	Note	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Company					
2019					
Financial assets					
Trade receivable	19	3,419	–	–	3,419
Advances, deposits and other receivables	18	11,595	39,999	–	51,594
Cash and bank balances	20	632	–	–	632
Bank deposits pledged	20	235	–	–	235
Total undiscounted financial assets		15,881	39,999	–	55,880
Financial liabilities					
Trade payables	22	2,058	–	–	2,058
Accruals and other payables	23	509	–	–	509
Amount due to shareholders	25	3,998	9,064	–	13,062
Loans and borrowings	21	9,095	20,978	–	30,073
Total undiscounted financial liabilities		15,660	30,042	–	45,702
Total net undiscounted financial assets		221	9,957	–	10,178
2018					
Financial assets					
Advances, deposits and other receivables	18	10,453	45,956	–	56,409
Cash and bank balances	20	1,805	–	–	1,805
Bank deposits pledged	20	235	–	–	235
Total undiscounted financial assets		12,493	45,956	–	58,449
Financial liabilities					
Accruals and other payables	23	1,360	–	–	1,360
Amount due to shareholders	25	–	7,774	–	7,774
Loans and borrowings	21	9,630	31,994	–	41,624
Total undiscounted financial liabilities		10,990	39,768	–	50,758
Total net undiscounted financial assets		1,503	6,188	–	7,691

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, which are all at floating rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if LIBOR interest rates had been 50 (2018: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax (2018: loss before tax) would have been US$306,000 lower/higher (2018: US$370,000 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

36. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

The Group is in compliance with the capital requirements imposed by the bankers in respect of the banking facilities granted for the financial years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and bank balances in aggregate. Capital refers to equity attributable to owners of the Company.

		Group	
	Note	**2019**	**2018**
		US$'000	US$'000
Trade payables	22	19,975	16,386
Accruals and other payables	23	6,694	9,501
Other non-financial liabilities	24	57	690
Amount due to shareholders	25	12,440	7,332
Lease liabilities	12	150	–
Loans and borrowings	21	69,068	83,035
Less: Cash and bank balances in aggregate	20	(2,353)	(5,185)
Net debt		106,031	111,759
Equity attributable to owners of the Company		85,952	84,271
Capital and net debt		191,983	196,030
Gearing ratio		55%	57%

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For the financial year ended 31 December 2019

37. Segment information

For management purposes, the Group is organised into business units based on services provided, and has two reportable operating segments as follows:

Marine logistics services

The marine logistics services segment provides vessel chartering and chandlery services to external customers.

Ship repair, fabrication and other marine services

The ship repair, fabrication and other marine services segment provides repairs and maintenance of marine equipment, engines, heavy machines and related marine services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are allocation to operating segments where appropriate.

The chief operating decision maker reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

37. Segment information (cont'd)

	Marine logistics services		Ship repair, fabrication and other marine services		Adjustments/ Eliminations		Note	Per consolidated financial statements	
	2019	2018	2019	2018	2019	2018		2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000		US$'000	US$'000
Revenue									
External customers	75,491	57,823	1,027	978	–	–		76,518	58,801
Results:									
Segment gross profit	16,642	14,646	921	702	–	–		17,563	15,348
Finance income	1	1	–	–	5	4	A	6	5
Other income	245	319	2	–	–	–		247	319
Share of results of a joint venture	–	–	–	–	92	631	B	92	631
Marketing and distribution expenses	(287)	(735)	(4)	–	–	–		(291)	(735)
Administrative expenses	(4,581)	(4,552)	(509)	(561)	(436)	(559)	C	(5,526)	(5,672)
Loss on fair value changes in derivatives	–	(614)	–	–	–	–		–	(614)
Other expenses	(502)	(16,857)	–	–	–	–	D	(502)	(16,857)
Loss on disposal of joint operation	–	–	–	–	(589)	–		(589)	–
Finance costs	(6,711)	(7,699)	–	–	–	–		(6,711)	(7,699)
Withholding tax	(1,885)	(1,642)	–	–	–	–		(1,885)	(1,642)
Segment profit/(loss) before tax	2,922	(17,133)	410	141	(928)	76	E	2,404	(16,916)
Income tax expense	(2)	–	–	–	–	–		(2)	–
Profit/(loss) for the year	2,920	(17,133)	410	141	(928)	76		2,402	(16,916)

37. Segment information (cont'd)

Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements
A	The adjustment pertains to unallocated interest income.
B	The adjustment pertains to share of results of a joint venture held by the Company and Group respectively.
C	The adjustment pertains to unallocated corporate expenses.
D	The adjustment pertains to impairment loss on investment in subsidiaries held by the Company.
E	The following items are deducted from segment profit/(loss) to arrive at "profit/(loss) before tax" presented in the consolidated statement of comprehensive income:

	Group	
	2019	**2018**
	US$'000	US$'000
Share of result of the joint venture	92	631
Unallocated corporate expenses	(436)	(559)
Unallocated interest income	5	4
Loss on disposal of joint operation	(589)	–
	(928)	76

Geographical information

Revenue information based on the geographical location of customers and assets respectively are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
United Arab Emirates	10,252	11,448
Singapore	3,621	945
Other GCC countries	61,792	44,793
China	–	34
Others	853	1,581
	76,518	58,801

Other GCC countries include Kingdom of Saudi Arabia, Sultanate of Oman, Kingdom of Bahrain and Qatar.

The Group's non-current assets are located in the UAE.

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For the financial year ended 31 December 2019

37. Segment information (cont'd)

Geographical information (cont'd)

Information about major customers

Revenue from two major customers amounted to approximately US$56,602,000 (2018: US$48,963,000), from the Marine logistics services segment. Revenue from two major customers amounted to approximately US$384,000 (2018: US$589,000), from the ship repair, fabrication and other marine services segment.

38. Comparative figures

(a) ***Reclassification of intercompany balances***

For comparative purpose, the following have been re-presented to be consistent with the current year's presentation.

Presented in the balance sheet

	Restated	**Previously reported**
	US$'000	US$'000
31 December 2018		
Current assets		
Trade and other receivables	–	15,110
Trade receivables	11,913	–
Advances, deposits and other receivables	3,197	–
Current liabilities		
Trade and other payables	–	17,246
Other liabilities	–	9,331
Trade payables	16,386	–
Accruals and other payables	9,501	–
Other non-financial liabilities	690	–

NOTES TO THE FINANCIAL STATEMENTS

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39. Events occurring after the reporting period

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

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

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

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

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 15 April 2020.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2020

NO. OF ISSUED SHARES (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)	:	**523,512,144**
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)	:	ONE VOTE PER ORDINARY SHARE

The Company does not have any treasury shares and subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	–	–	–	–
100 - 1,000	88	27.76	51,077	0.01
1,001 - 10,000	80	25.24	336,499	0.07
10,001 - 1,000,000	137	43.22	21,478,700	4.10
1,000,001 and above	12	3.78	501,645,868	95.82
Total	**317**	**100.00**	**523,512,144**	**100.00**

SUBSTANTIAL SHAREHOLDERS' INFORMATION

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Saeed Investment Pte. Ltd.(1)	–	–	262,918,394	50.22
Kum Soh Har, Michael (2)	–	–	262,918,394	50.22
Ong Bee Yong, Lynda (2)	–	–	262,918,394	50.22
Wong Siew Cheong (3)	166,599,000	31.82	33,375,000	6.38
Chong Mee Chin (3)	–	–	33,375,000	6.38

Notes:

(1) Saeed Investment Pte. Ltd. is deemed to be interested in 262,918,394 shares in the capital of the Company through HSBC (Singapore) Nominees Pte Ltd.

(2) 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.

(3) Mr Wong Siew Cheong 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. Madam Chong Mee Chin is deemed to be interested in the 33,375,000 shares held through DBS Nominees (Private) Limited.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2020

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	HSBC (SINGAPORE) NOMINEES PTE LTD	262,918,394	50.22
2.	WONG SIEW CHEONG	166,599,000	31.82
3.	DBS NOMINEES (PRIVATE) LIMITED	35,664,200	6.81
4.	UOB KAY HIAN PRIVATE LIMITED	10,629,900	2.03
5.	WONG SIEW CHONG	8,000,000	1.53
6.	MOHAMMAD REZA SADEGHI	6,750,000	1.29
7.	THONG KWOK KHEONG	3,300,000	0.63
8.	KUAH BOON WEE	2,000,000	0.38
9.	WONG SEK PUN	1,699,000	0.32
10.	SOH SAI KIANG	1,484,374	0.28
11.	MAYBANK KIM ENG SECURITIES PTE LTD	1,396,000	0.27
12.	YAO HSIAO TUNG	1,205,000	0.23
13.	NEO KOK CHING	910,400	0.17
14.	DB NOMINEES (SINGAPORE) PTE LTD	815,000	0.16
15.	TAN AH LYE	815,000	0.16
16.	TAL CAPITAL PTE LTD	785,000	0.15
17.	TAN BAN SER	785,000	0.15
18.	YAP HOON HONG	784,000	0.15
19.	CHONG SER PHENG	780,000	0.15
20.	ANG HOCK CHWEI	758,000	0.14
	TOTAL	**508,078,268**	**97.04**

RULE 723 OF THE CATALIST RULES – FREE FLOAT

Based on information available and to the best knowledge of the Company, as at 16 March 2020, approximately 10.05% of the ordinary shares (excluding treasury shares and subsidiary holdings) of the Company are held by the public. The Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Kum Soh Har, Michael
Non-Executive Non-Independent Chairman

Kum Wan Mei, Gwendolyn (Gan Wanmei)
Alternate Director to Kum Soh Har, Michael

Wong Siew Cheong, Bill
Executive Director and CEO

Gwee Lian Kheng
Lead Independent Director

Wong Chee Meng, Lawrence
Independent Director

Sam Chee Leong
Independent Director

COMPANY SECRETARY
Fiona Lim Pei Pei

REGISTERED OFFICE
30 Cecil Street,
#19-08 Prudential Tower
Singapore 049712
Tel: +65 6812 1611
Fax +65 6812 1601

BUSINESS OFFICE AND PRINCIPAL PLACE OF BUSINESS
Atlantic Maritime Group FZE
Plot No. HD-02
P.O. Box 6653
Hamriyah Free Zone
Sharjah
United Arab Emirates
Tel: +971 6 5263577
Fax: +971 6 5260292

Atlantic Ship Management LLC
P.O. Box 37288 Abu Dhabi
Unit 205, Al Salam Street
Al Salam HQ Building
Abu Dhabi
United Arab Emirates
Tel: +971 2 4453838
Fax: +971 2 4453837

AUDIT COMMITTEE
Gwee Lian Kheng *(Chairman)*
Wong Chee Meng, Lawrence
Sam Chee Leong
Kum Soh Har, Michael

NOMINATING COMMITTEE
Gwee Lian Kheng (*Chairman)*
Wong Chee Meng, Lawrence
Sam Chee Leong

RENUMERATION COMMITTEE
Wong Chee Meng, Lawrence *(Chairman)*
Gwee Lian Kheng
Kum Soh Har, Michael

ATLANTIC EMPLOYEE NEW SHARE SCHEME COMMITTEE
Wong Chee Meng, Lawrence *(Chairman)*
Gwee Lian Kheng
Kum Soh Har, Michael

KEY EXECUTIVES
Hsu Chong Pin
Chief Financial Officer

Mohammad Reza Sadeghi
Project Director

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-Charge: Wong Yew Chung
(Date of Appointment: Since financial year ended 31 December 2018)

PRINCIPAL BANKERS
Malayan Banking Berhad
National Bank Of Fujairah PJSC
United Overseas Bank Limited

SPONSOR
SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

Atlantic Navigation Holdings (Singapore) Limited

Unique Entity Number (UEN): 200411055E
30 Cecil Street,
#19-08 Prudential Tower
Singapore 049712
Tel: +65 6812 1611
Fax +65 6812 1601