

CHARISMA ENERGY SERVICES LIMITED
(Company Registration No. 199706776D)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

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

	Group					
	3Q 2019 US\$'000	3Q 2018 US\$'000	Change %	9M 2019 US\$'000	9M 2018 US\$'000	Change %
Revenue	3,293	3,907	(16)	8,864	13,801	(36)
Cost of sales	(1,770)	(2,364)	(25)	(5,258)	(6,409)	(18)
Gross profit	1,523	1,543	(1)	3,606	7,392	(51)
Other operating income/(expenses), net	16	7	n.m.	319	(4)	n.m.
Administrative and marketing expenses	(1,268)	(832)	52	(2,893)	(2,685)	8
Profit from operating activities	271	718	(62)	1,032	4,703	(78)
Finance income	52	20	n.m.	139	135	3
Finance costs	(1,617)	(1,428)	13	(5,281)	(4,297)	23
Net finance cost	(1,565)	(1,408)	11	(5,142)	(4,162)	24
Share of results of jointly controlled entities (net of tax)	(28)	637	n.m.	18	1,174	(98)
(Loss)/Profit before taxation	(1,322)	(53)	n.m.	(4,092)	1,715	n.m.
Taxation	(474)	(84)	n.m.	(957)	(483)	98
(Loss)/Profit after income tax	(1,796)	(137)	n.m.	(5,049)	1,232	n.m.
Non-controlling interests	(195)	(157)	24	(266)	(427)	(38)
(Loss)/Profit for the period	(1,991)	(294)	n.m.	(5,315)	805	n.m.

(Loss)/Profit for the period is arrived at after crediting/(charging) the following:-

	Group					
	3Q 2019 US\$'000	3Q 2018 US\$'000	Change %	9M 2019 US\$'000	9M 2018 US\$'000	Change %
- Net finance cost	(1,565)	(1,408)	11	(5,142)	(4,162)	24
- Depreciation and amortisation	(1,183)	(2,023)	(42)	(3,848)	(5,614)	(31)
- Foreign exchange gains/(loss), net	2	(2)	n.m.	63	52	21
- (Impairment)/Reversal of impairment in financial assets/trade receivables	(73)	9	n.m.	(128)	(42)	n.m.

n.m. = not meaningful

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

	Group		Company	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	66,312	70,305	1	4
Intangible assets	3,457	3,611	-	-
Subsidiaries	-	-	56,549	56,082
Joint ventures	5,357	5,413	14,167	14,153
Other investments	1,525	292	270	292
Other receivables	7,753	7,818	6,991	6,991
	84,404	87,439	77,978	77,522
CURRENT ASSETS				
Inventories	533	448	-	-
Assets held for sale	-	4,468	-	-
Trade and other receivables	8,910	7,558	787	2,620
Amounts due from subsidiaries	-	-	3,019	3,201
Amounts due from joint ventures	1,806	1,796	1,479	1,489
Cash and cash equivalents	6,531	5,862	864	2,847
	17,780	20,132	6,149	10,157
TOTAL ASSETS	102,184	107,571	84,127	87,679
EQUITY				
Share capital	272,670	272,670	272,670	272,670
Convertible perpetual capital securities	6,811	6,811	6,811	6,811
Redeemable exchangeable preference shares	7,042	7,042	-	-
Warrants	2,384	2,384	2,384	2,384
Other reserves	(6,947)	(3,271)	(1,007)	(984)
Accumulated losses	(284,774)	(279,270)	(278,787)	(271,881)
Equity attributable to owners of the Company	(2,814)	6,366	2,071	9,000
Non-controlling interests	2,414	2,226	-	-
TOTAL EQUITY	(400)	8,592	2,071	9,000
LIABILITIES				
NON-CURRENT LIABILITIES				
Other payables	147	91	-	-
Amounts due to subsidiaries	-	-	20,735	22,859
Amounts due to related parties	22,928	22,400	22,928	22,400
Financial liabilities	15,507	16,221	71	71
Deferred tax liabilities	1,270	1,238	-	-
	39,852	39,950	43,734	45,330
CURRENT LIABILITIES				
Trade and other payables	16,318	12,438	8,482	6,795
Amounts due to joint venture	116	76	116	76
Amounts due to related parties	1,721	1,929	2,139	1,893
Financial liabilities	44,344	44,120	27,585	24,585
Provision for tax	233	466	-	-
	62,732	59,029	38,322	33,349
TOTAL LIABILITIES	102,584	98,979	82,056	78,679
TOTAL EQUITY AND LIABILITIES	102,184	107,571	84,127	87,679

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

	Group	
	As at 30/09/2019	As at 31/12/2018
	US\$'000	US\$'000
<u>Amount repayable in one year or less, or on demand:-</u>		
Secured	44,344	44,120
Unsecured	1,721	1,929
Total	46,065	46,049
<u>Amount repayable after one year:-</u>		
Secured	15,507	16,221
Unsecured	22,928	22,400
Total	38,435	38,621

Details of any collateral

Secured borrowings as at 30 September 2019 and 31 December 2018 were secured by mortgages on the respective hydro-electric power generation equipment, solar photovoltaic power plant, offshore support vessels and onshore accommodation module.

Included in cash and cash equivalents an amount of US\$5,878,000 (31 December 2018: US\$5,018,000) being restricted or earmarked by the banks for various facilities granted.

1(b)(iii) Statement of comprehensive income for the period ended 30 September 2019

	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
(Loss)/Profit for the period	(1,796)	(137)	n.m.	(5,049)	1,232	n.m.
Other comprehensive income:						
<u>Items that may be reclassified subsequently to profit and loss</u>						
Effective portion of changes in fair value of cash flow hedge	(10)	-	n.m.	(34)	22	n.m.
Exchange differences on monetary items forming part of net investment in foreign operations	(790)	(1,145)	(31)	(787)	(1,465)	(46)
Foreign currency translation differences relating to financial statements of foreign operations	(744)	(323)	n.m.	342	(701)	n.m.
	(1,544)	(1,468)	5	(479)	(2,144)	(78)
<u>Item that is not be reclassified to profit and loss</u>						
Net change in fair value of equity investments at FVOCI	(3,213)	-	n.m.	(3,242)	-	n.m.
Net change in fair value of financial assets at fair value through other comprehensive income (FVOCI)	-	107	n.m.	-	(469)	n.m.
Net change in fair value of actuarial gain or loss	(1)	-	n.m.	(33)	-	n.m.
Other comprehensive loss for the period	(4,758)	(1,361)	n.m.	(3,754)	(2,613)	44
Total comprehensive loss for the period	(6,554)	(1,498)	n.m.	(8,803)	(1,381)	n.m.
Attributable to:						
Owners of the Company	(6,681)	(1,579)	n.m.	(8,991)	(1,695)	n.m.
Non-controlling interests	127	81	57	188	314	(40)
	(6,554)	(1,498)	n.m.	(8,803)	(1,381)	n.m.

n.m. = not meaningful

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

	Group			
	3Q 2019 US\$'000	3Q 2018 US\$'000	9M 2019 US\$'000	9M 2018 US\$'000
Cash flows from operating activities				
(Loss)/Profit before taxation	(1,322)	(53)	(4,092)	1,715
Adjustments for:-				
Depreciation of property, plant and equipment	1,183	2,023	3,848	5,614
Net fair value loss on derivative assets	-	29	-	28
Interest income	(52)	(20)	(139)	(135)
Interest expense	1,617	1,428	5,281	4,297
Equity-settled share-based payment transaction	-	34	45	150
Share of results of jointly controlled entities, net of tax	28	(637)	(18)	(1,174)
Net foreign exchange gains	(2)	2	(63)	(52)
(Reversal)/Impairment of equity investments at FVOCI	-	-	22	-
(Reversal)/Impairment of financial assets	73	1	73	22
(Reversal)/Impairment of trade receivables	-	(10)	33	20
Operating profit before working capital changes	1,525	2,797	4,990	10,485
Changes in working capital:				
Trade and other receivables	(741)	(292)	(1,363)	(5,647)
Trade and other payables	(223)	121	135	371
Income tax paid	(559)	(114)	(768)	(489)
Net cash generated from operating activities	2	2,512	2,994	4,720
Cash flows from investing activities				
Purchase of plant and equipment	-	-	(232)	(151)
Net cash inflow from acquisition of subsidiary	-	-	-	40
Interest income received	52	-	139	-
Net cash generated from/(used in) investing activities	52	-	(93)	(111)
Cash flows from financing activities				
Proceeds from borrowings	58	-	83	-
Repayment of borrowings	(354)	(384)	(1,094)	(1,683)
Interest expense paid	(364)	(341)	(1,188)	(1,047)
Net cash used in financing activities	(660)	(725)	(2,199)	(2,730)
Net decrease/increase in cash and cash equivalents	(606)	1,787	702	1,879
Cash and cash equivalents at beginning of period	7,173	2,879	5,862	2,974
Effect of exchange rate fluctuations on cash held	(36)	(317)	(33)	(504)
Cash and cash equivalents at end of period	6,531	4,349	6,531	4,349

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

Statements of Changes in Equity

The Group	Share capital	Perpetual securities	Redeemable exchangeable preference shares	Warrants	Foreign currency translation reserves	Fair value reserve	Hedging reserve	Accumulated losses	Total	Non-controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2019	272,670	6,811	7,042	2,384	(1,230)	(1,019)	(8)	(282,706)	3,944	2,287	6,231
Total comprehensive income for the period	-	-	-	-	(1,466)	(3,214)	(10)	(1,991)	(6,681)	127	(6,554)
Transactions with owners, recognised directly in equity											
Contributions by and distribution to owners											
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(77)	(77)	-	(77)
Total transactions with owners	-	-	-	-	-	-	-	(77)	(77)	-	(77)
Balance as at 30 September 2019	272,670	6,811	7,042	2,384	(2,696)	(4,233)	(18)	(284,774)	(2,814)	2,414	(400)

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

Statements of Changes in Equity

The Group	Share capital	Perpetual securities	Redeemable exchangeable preference shares	Warrants	Foreign currency translation reserves	Fair value reserve	Hedging reserve	Accumulated losses	Total	Non-controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2018	272,670	6,811	7,042	2,384	(94)	(577)	27	(236,270)	51,993	2,246	54,239
Total comprehensive income for the period	-	-	-	-	(1,737)	108	-	51	(1,578)	81	(1,497)
Transactions with owners, recognised directly in equity											
Contributions by and distribution to owners											
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(70)	(70)	-	(70)
Distribution on redeemable exchangeable preference shares	-	-	-	-	-	-	-	(43)	(43)	-	(43)
Equity-settled share-based payment transaction	-	-	-	-	-	-	-	34	34	-	34
Total transactions with owners	-	-	-	-	-	-	-	(79)	(79)	-	(79)
Balance as at 30 September 2018	272,670	6,811	7,042	2,384	(1,831)	(469)	27	(236,298)	50,336	2,327	52,663

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

Statements of Changes in Equity

	Share capital	Perpetual securities	Warrants	Fair value reserves	Accumulated losses	Total
The Company	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2019	272,670	6,811	2,384	(1,006)	(274,500)	6,359
Total comprehensive income for the period	-	-	-	(1)	(4,210)	(4,211)
Transactions with owners, recognised directly in equity						
Contributions by and distribution to owners						
Accrued convertible perpetual capital securities distributions	-	-	-	-	(77)	(77)
Total transaction with owners	-	-	-	-	(77)	(77)
Balance as at 30 September 2019	272,670	6,811	2,384	(1,007)	(278,787)	2,071
	Share capital	Perpetual securities	Warrants	Fair value reserves	Accumulated losses	Total
The Company	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2018	272,670	6,811	2,384	-	(241,147)	40,717
Total comprehensive income for the period	-	-	-	807	(1,841)	(1,034)
Transactions with owners, recognised directly in equity						
Contributions by and distribution to owners						
Accrued convertible perpetual capital securities distributions	-	-	-	-	(70)	(70)
Distribution on redeemable exchangeable preference shares	-	-	-	-	(43)	(43)
Equity-settled share-based payment transaction	-	-	-	-	34	34
Total transaction with owners	-	-	-	-	(79)	(79)
Balance as at 30 September 2018	272,670	6,811	2,384	807	(243,067)	39,605

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

During the third quarter of 2019, there was no allotment and issuance of new ordinary shares.

As at 30 September 2019 and 30 September 2018, the Company had 13,166,385,035 ordinary shares in issue and 3,084,660,568 outstanding convertibles convertible into one ordinary share each.

Out of the above-said, as at 30 September 2019 and 30 September 2018, there were 7,299,270 redeemable exchangeable preference shares in a subsidiary available for exchange into 523,620,516 ordinary shares of the Company.

Save as disclosed, the Company did not hold any treasury shares and subsidiary holdings as at 30 September 2019 and 30 September 2018.

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

As at 30 September 2019 and 31 December 2018, the issued and paid-up share capital of the Company comprised 13,166,385,035 ordinary shares (excluding treasury shares).

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

Not applicable as the Company did not hold any treasury shares as at the end of the current financial period reported on.

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

Not applicable as the Company did not hold subsidiary holdings as at the end of the current financial period reported on.

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

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

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

Not applicable.

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

Except as disclosed under item 5 below, the Group has consistently applied the same accounting policies and methods of computation as per the most recently audited annual financial statements for the financial year ended 31 December 2018.

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

The Group and the Company have applied accounting policies and methods of computation in the financial statements for the current reporting period consistent with those disclosed in the audited financial statements for the financial year ended 31 December 2018, except for the adoption of new/revised financial reporting standards (FRS) applicable for the financial period beginning 1 January 2019 as follows:

SFRS(I) 16 Leases

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

Long-term Interests in Associates and Joint Ventures (Amendments to SFRS(I) 1-28)

Prepayment Features with Negative Compensation (Amendments to SFRS(I) 9)

Previously Held Interest in a Joint Operation (Amendments to SFRS(I) 3 and 11)

Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to SFRS(I) 1-12)

Borrowing Costs Eligible for Capitalisation (Amendments to SFRS(I)1-23)

Plan Amendment, Curtailment or Settlement (Amendments to SFRS(I)1-19)

SFRS(I) 16 Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases – Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company adopted SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 was recognised as an adjustment to the opening balance of accumulated profits at 1 January 2019, with no restatement of comparative information. The Group and the Company adopted the practical expedient to grandfather the definition of a lease on transition.

The Group and the Company measured its qualifying lease arrangements as lease liabilities by applying a single discount rate to their portfolio.

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

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

Loss per share ("LPS")/Earning per share ("EPS") after deducting any provisions for preference dividends:

	Group			
	3Q 2019	3Q 2018	9M 2019	9M 2018
Weighted average number of ordinary shares (in million)	13,166	13,166	13,166	13,166
- based on weighted average number of ordinary shares in issue (in US cents) *	(0.02)	0.01	(0.04)	0.01
- based on fully diluted basis (in US cents) *	(0.02)	0.01	(0.04)	0.01

* The outstanding convertibles were not included in the computation of the diluted earnings per share because these convertibles were anti-dilutive for the respective financial periods.

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

	Group		Company	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018

Net asset value per ordinary share based on existing issued share capital (excluding treasury shares) of 13,166,385,035 shares as at the end of the period reported on

- (in US cents)	(0.02)	0.05	0.02	0.07
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- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Income Statement Review

3Q 2019 vs 3Q 2018

The Group's revenue for the three months ended 30 September 2019 ("3Q19") decreased by US\$614,000 to US\$3,293,000 as compared to the corresponding three months ended 30 September 2018 ("3Q18") due to cessation of revenue recognition from accommodation module disposed in February 2019. In addition, lower revenue from mini-hydro power assets ("MHPPs") in Sri Lanka due to delay in monsoon seasons as well as the suspension in revenue recognition in those hydro plants that are pending finalisation of renewal of the Power Purchase Agreements (PPAs) also contributed.

The Group's cost of sales for 3Q19 decreased by US\$594,000 to US\$1,770,000 as compared to 3Q18. The decrease in cost of sales is largely due to the lower depreciation from existing plant and equipment which was impaired in 4Q18.

As a result of the above, the Group's gross profit for 3Q19 decreased by US\$20,000 to US\$1,523,000 as compared to 3Q18.

Administrative and marketing expenses in 3Q19 increased largely due to one-off incurrence of professional fees expenses.

Higher finance costs was largely due to the increase in accrual of financing cost to be paid to lenders and to financial institutions.

Share of loss of jointly controlled entities in 3Q19 relates to the Group's joint venture in India due to higher administrative expenses incurred.

Higher tax expenses was largely due to the finalisation of tax expenses for prior financial years for our MHPPs.

9M 2019 vs 9M 2018

The Group's revenue for the nine months ended 30 September 2019 ("9M19") decreased by US\$4,937,000 to US\$8,864,000 as compared to the corresponding nine months ended 30 September 2018 ("9M18") due to cessation of revenue recognition from accommodation module disposed in February 2019. In addition, lower revenue from MHPPs in Sri Lanka due to delay in monsoon seasons as well as the suspension in revenue recognition in those hydro plants that are pending finalisation of renewal of the PPAs also contributed.

The Group's cost of sales for 9M19 decreased by US\$1,151,000 to US\$5,258,000 as compared to 9M18. The decrease in cost of sales is largely due to the lower depreciation from existing plant and equipment which was impaired in 4Q18.

As a result of the above, the Group's gross profit for 9M19 decreased by US\$3,786,000 to US\$3,606,000 as compared to 9M18.

Higher finance costs was largely due to the increase in accrual of financing cost to be paid to lenders and to financial institutions.

Share of profit of jointly controlled entities in 9M19 has decreased as compared to 9M18 due to higher administrative expenses incurred by the Group's joint venture in India.

Higher tax expenses was largely due to the finalisation of tax expenses for prior financial years for our MHPPs.

Statement of Financial Position Review

Non-current Assets

The Group's Non-current Assets amounted to US\$84,404,000 as at 30 September 2019. The decrease was mainly due to the depreciation of the Group's property, plant and equipment, partially offset by higher Other Investment which the Group had performed a marked-to-market assessment as at 30 September 2019.

Current Assets

The Group's Current Assets amounted to US\$17,780,000 as at 30 September 2019. The decrease was mainly due to reclassification from Asset held for sale under Current Asset to Other investments under Non-current Asset, partially offset by the increase in cash balance largely generated from MHPPs and the increase in trade receivables in MHPPs and solar plant in China.

Total Liabilities

The Group's Total Liabilities amounted to US\$102,584,000 as at 30 September 2019 with an increase of US\$3,605,000 as compared to 31 December 2018, mainly due to higher accrual of financing costs to lenders and financial institutions, partially offset by repayments in financial liabilities.

Reclassification of borrowings to current liabilities

As at 30 September 2019, the Group was in a net current liabilities position of US\$44,952,000. This was mainly due to the classification of the Group's term loans of US\$8,546,000 from Non-current liabilities to Current liabilities. The classification as current liabilities was a result of the Group ceasing the scheduled loan repayments. The Group is still in negotiations with the banks to refinance the said term loans.

Going concern

The Group has a net liabilities of US\$2,814,000 as at 30 September 2019. This was largely due to the marked-to-market assessment of assets of the Group as of 30 September 2019.

Notwithstanding the net liability position of the Group, the Board believes that the Group' going concern assumption is appropriate for the following reasons:

(1) the Group has been in discussion with the banks and lenders to refinance the outstanding loans. Till date, the lenders have not issued any demand for repayment of loans and the Group is working on getting the continual support from the lenders which is crucial to enable us to continue rolling over the outstanding amounts in the foreseeable future;

(2) the Group is still currently generating positive operating cash flows and has generated approximate US\$3 million from operating activities during 9M2019, and barring any unforeseen circumstances, the Group is expected to continue to generate positive cash flows for the foreseeable future based on expected revenue from existing customers and contracts; and

(3) In view of the foregoing, the Board is of the opinion that the Group is able to operate 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.

Statement of Cash Flows Review

Cash Flow from Operating Activities

The Group generated marginal positive operating cashflow in 3Q19 from operations of the Group.

Cash Flow from Investing Activities

The Group's net cash generated from investing activities in 3Q19 was US\$52,000. This was mainly due to the interest income received by the Group.

Cash Flow from Financing Activities

The Group's net cash used in financing activities in 3Q19 was US\$660,000. This was mainly due to the net repayment of borrowings and interest expenses.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders.

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

The Group is in discussions with various lenders on its financing plans, of which the completion of the above-said exercise is contingent upon the continual support from the lenders. The Group will also continue to look into opportunities to maximise the return of capital to the shareholders.

We will keep the shareholders updated on significant developments in relation to the Group's refinancing discussion.

11 If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

As the Company incurred losses for 3Q 2019, no dividend has been declared or recommended for the financial period.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group had on 30 April 2019, obtained a general mandate from shareholders for interested person transactions ("IPTs").

For details, please refer to the Appendix to Annual Report 2018 dated 15 April 2019.

Particulars of IPTs for the period 1 July 2019 to 30 September 2019 are as follows:

Name of interested person	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
<u>Management fee paid/payable to Ezion Holdings Limited*</u>	NIL	97,987
<u>Interest paid/payable to Ezion Holdings Limited*</u>	266,578	NIL

*Ezion Holdings Limited is a controlling shareholder of the Company.

14 Confirmation of undertakings from Directors and Executive Officers

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

BY ORDER OF THE BOARD

Tan Wee Sin
Company Secretary
12 November 2019

Confirmation by Directors pursuant to Rule 705(5) of the Listing Manual Section B: Rules of Catalist

We confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results of the Group for the period ended 30 September 2019 to be false or misleading in any material aspect.

On behalf of the Board of directors

.....
Tan Ser Ko
Executive Director / CEO

.....
Wong Bheet Huan
Executive Director

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).