

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2018

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

	Note ¹	Group			Group		
		2Q 2018 US\$'000	2Q 2017 US\$'000	Change %	1H 2018 US\$'000	1H 2017 US\$'000	Change %
Revenue	(1)	5,816	4,741	23%	9,894	9,473	4%
Cost of sales	(1)	(2,361)	(2,163)	9%	(4,045)	(4,328)	(7%)
Gross profit	(1)	3,455	2,578	34%	5,849	5,145	14%
Other operating expense, net	(2)	(6)	(814)	(99%)	(11)	(807)	(99%)
Administrative and marketing expenses	(3)	(1,337)	(558)	n.m.	(1,853)	(1,016)	82%
Profit from operating activities		2,112	1,206	75%	3,985	3,322	20%
Finance income		37	76	(51%)	115	152	(24%)
Finance costs	(4)	(1,536)	(660)	n.m.	(2,869)	(1,327)	n.m.
Net finance cost		(1,499)	(584)	n.m.	(2,754)	(1,175)	n.m.
Share of results of jointly controlled entities (net of tax)	(5)	397	33	n.m.	537	115	n.m.
Profit before taxation		1,010	655	54%	1,768	2,262	(22%)
Taxation	(6)	(399)	(1)	n.m.	(399)	(1)	n.m.
Profit after income tax		611	654	(6%)	1,369	2,261	(39%)
Non-controlling interests		(257)	7	n.m.	(270)	16	n.m.
Profit for the period		354	661	(46%)	1,099	2,277	(52%)

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

	Group			Group		
	2Q 2018 US\$'000	2Q 2017 US\$'000	Change %	1H 2018 US\$'000	1H 2017 US\$'000	Change %
- Net finance cost	(1,499)	(584)	n.m.	(2,754)	(1,175)	n.m.
- Depreciation and amortisation	(1,943)	(2,147)	(10%)	(3,591)	(4,296)	(16%)
- Impairment loss on investment in quoted shares	-	(827)	n.m.	-	(827)	n.m.
- Foreign exchange gain	8	59	(86%)	54	37	46%
- Expected credit losses (Adoption of SFRS (I) 9)	6	-	n.m.	(51)	-	n.m.

n.m. = not meaningful

¹ Please refer to Paragraph 8 for review of Income Statement.

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

		Group		Company	
		30/06/2018	31/12/2017	30/06/2018	31/12/2017
Note ²		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	(1)	109,930	104,966	12	19
Subsidiaries		-	-	63,286	63,722
Joint ventures	(2)	5,513	4,978	20,472	20,844
Investment in quoted shares	(3)	577	1,276	577	1,276
Intangible assets	(4)	1,306	1,306	-	-
Other receivables	(5)	16,915	17,955	-	-
		134,241	130,481	84,347	85,861
CURRENT ASSETS					
Intangible assets		6	-	-	-
Inventories	(6)	504	-	-	-
Trade and other receivables	(5)	14,708	12,644	936	935
Amounts due from subsidiaries		-	-	2,340	2,417
Amounts due from joint ventures		1,748	1,764	1,721	1,722
Cash and cash equivalents		2,879	2,974	1,469	1,536
		19,845	17,382	6,466	6,610
TOTAL ASSETS		154,086	147,863	90,813	92,471
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	(7)	(644)	572	-	-
Accumulated losses		(236,270)	(236,530)	(241,147)	(238,077)
Equity attributable to owners of the Company		51,993	52,949	40,718	43,788
Non-controlling interests		2,246	2,013	-	-
TOTAL EQUITY		54,239	54,962	40,718	43,788
LIABILITIES					
NON-CURRENT LIABILITIES					
Other payables		98	28	-	-
Amounts due to subsidiaries		-	-	21,294	21,841
Amount due to a related party	(8)	22,084	21,546	21,892	21,546
Deferred tax liabilities		1,271	-	-	-
Financial liabilities	(9)	19,006	19,133	-	-
		42,459	40,707	43,186	43,387
CURRENT LIABILITIES					
Trade and other payables	(10)	8,652	5,134	3,857	2,232
Amounts due to related parties		3,575	2,495	1,736	1,674
Amounts due to joint ventures		41	44	41	44
Financial liabilities	(9)	44,876	44,515	1,275	1,346
Provision for tax		244	6	-	-
		57,388	52,194	6,909	5,296
TOTAL LIABILITIES		99,847	92,901	50,095	48,683
TOTAL EQUITY AND LIABILITIES		154,086	147,863	90,813	92,471

² Please refer to Paragraph 8 for review of Statement of Financial Position.

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

	Group	
	As at 30/06/2018 US\$'000	As at 31/12/2017 US\$'000
<u>Amount repayable in one year or less, or on demand:-</u>		
Secured	44,876	44,515
Unsecured	2,652	1,632
<u>Amount repayable after one year:-</u>		
Secured	19,006	19,133
Unsecured	22,084	21,546

Details of any collateral

Secured borrowings as at 30 June 2018 and 31 December 2017 were secured by mortgages on the respective hydro-electric power generation equipment, solar photovoltaic power plant, offshore support vessels and onshore accommodation module.

1(b)(iii) Statement of comprehensive income for the period ended 30 June 2018

	Group					
	2Q 2018 US\$'000	2Q 2017 US\$'000	Change %	1H 2018 US\$'000	1H 2017 US\$'000	Change %
Profit for the period	611	654	(7%)	1,369	2,261	(39%)
Other comprehensive income:						
<u>Items that may be reclassified subsequently to profit and loss</u>						
Net loss on fair value changes on investment in quoted shares	(24)	-	n.m.	-	-	n.m.
Effective portion of changes in fair value of cash flow hedge	8	1	n.m.	22	14	57%
Exchange differences on monetary items forming part of net investment in foreign operations	(1,119)	(54)	n.m.	(320)	9	n.m.
Foreign currency translation differences relating to financial statements of foreign operations	131	(129)	n.m.	(378)	565	n.m.
	(1,004)	(182)	n.m.	(676)	588	n.m.
<u>Items that may not be reclassified subsequently to profit and loss</u>						
Net change in fair value of financial assets at fair value through other comprehensive income (FVOCI)	(577)	-	n.m.	(577)	-	n.m.
Other comprehensive (loss) / income for the period	(1,581)	(182)	n.m.	(1,253)	588	n.m.
Total comprehensive (loss) / income for the period	(970)	472	n.m.	116	2,849	(96%)
Attributable to:						
Owners of the Company	(1,203)	479	n.m.	(117)	2,865	n.m.
Non-controlling interests	233	(7)	n.m.	233	(16)	n.m.
	(970)	472	n.m.	116	2,849	n.m.

*Amount less than US\$1,000
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.

Note ³	Group			
	2Q 2018 US\$'000	2Q 2017 US\$'000	1H 2018 US\$'000	1H 2017 US\$'000
Cash flows from operating activities				
Profit before taxation	1,010	655	1,768	2,262
Adjustments for:-				
Depreciation of property, plant and equipment	1,943	2,147	3,591	4,296
Fair value gain on derivative assets	-	52	(1)	45
Interest income	(37)	(76)	(115)	(152)
Interest expense	1,536	660	2,869	1,327
Equity-settled share-based payment transaction	48	66	116	102
Net foreign exchange gains	(51)	-	(195)	-
Share of results of jointly controlled entities, net of tax	(397)	(33)	(537)	(115)
Impairment loss on available-for-sale financial assets	577	827	577	827
Impairment of financial assets	(1)	-	21	-
Impairment of trade receivables	(5)	-	30	-
Operating profit before working capital changes	4,623	4,298	8,124	8,592
Changes in working capital:				
Trade and other receivables	(3,091)	(3,779)	(5,735)	(7,488)
Trade and other payables	183	(173)	196	(40)
Income tax paid	(375)	(1)	(375)	(1)
Net cash generated from operating activities	(1) 1,340	345	2,210	1,063
Cash flows from investing activities				
Purchase of plant and equipment	(89)	(4,659)	(151)	(4,659)
Prepayment for land use rights	-	(1)	-	(146)
Net cash inflow from acquisition of subsidiary ^{Note}	40	-	40	-
Investment in joint ventures	-	(5,988)	-	(8,876)
Interest income received	-	76	-	152
Net cash used in investing activities	(2) (49)	(10,572)	(111)	(13,529)
Cash flows from financing activities				
Loan from a related party	-	11,907	-	14,795
Repayment of borrowings	(220)	(2,290)	(1,299)	(4,159)
Proceeds from issuance of shares by the company	-	7	-	129
Interest expense paid	(698)	(502)	(706)	(795)
Net cash (used in) / generated from financing activities	(3) (918)	9,122	(2,005)	9,970
Net increase / (decrease) in cash and cash equivalents	373	(1,105)	94	(2,496)
Cash and cash equivalents at beginning of period	2,766	2,877	2,974	4,112
Effect of exchange rate fluctuations on cash held	(260)	27	(189)	183
Cash and cash equivalents at end of period	2,879	1,799	2,879	1,799

Note: During 2Q 2018, the Group had acquired the shares in the operating companies that leases and operates the hydropower assets owned by the Group. Consideration of US\$1,875,000 which is payable by way of issue and allotment of ordinary shares in the share capital of the Company ("Consideration Shares") remains outstanding as at 30 June 2018, and will be issued and allotted to the Vendors upon completion and the fulfilment of the conditions contained in the SPA (See Note 8).

³ Please refer to Paragraph 8 for review of Statement of Cash Flows.

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 US\$'000	Perpetual Securities US\$'000	Redeemable Exchangeable Preference Shares US\$'000	Warrants US\$'000	Foreign Currency Translation Reserves US\$'000	Fair Value Reserve US\$'000	Hedging Reserve US\$'000	Accumulated Losses US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total Equity US\$'000
Balance as at 1 January 2018 as previously reported	272,670	6,811	7,042	2,384	567	-	5	(236,530)	52,949	2,013	54,962
Adoption of new/revised SFRS (I)	-	-	-	-	-	-	-	(519)	(519)	-	(519)
Restated balance at 1 January 2018	272,670	6,811	7,042	2,384	567	-	5	(237,049)	52,430	2,013	54,443
Total comprehensive income for the period	-	-	-	-	(661)	(577)	22	1,099	(117)	233	116
Transactions with owners, recognised directly in equity											
Contributions by and distribution to owners											
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Conversion of warrants to ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(170)	(170)	-	(170)
Distribution on redeemable exchangeable preference shares	-	-	-	-	-	-	-	(266)	(266)	-	(266)
Equity-settled share-based payment transaction	-	-	-	-	-	-	-	116	116	-	116
Total transactions with owners	-	-	-	-	-	-	-	(320)	(320)	-	(320)
Balance as at 30 June 2018	272,670	6,811	7,042	2,384	(94)	(577)	27	(236,270)	51,993	2,246	54,239

1(d)(i) Continued

The Group	Share Capital US\$'000	Perpetual Securities US\$'000	Redeemable Exchangeable Preference Shares US\$'000	Warrants US\$'000	Foreign Currency Translation Reserves US\$'000	Fair Value Reserve US\$'000	Hedging Reserve US\$'000	Accumulated Losses US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total Equity US\$'000
Balance as at 1 January 2017	272,373	6,811	7,042	2,514	(803)	-	(42)	(204,703)	83,192	1,950	85,142
Total comprehensive income for the period	-	-	-	-	574	-	14	2,277	2,865	(16)	2,849
Transactions with owners, recognised directly in equity											
Contributions by and distribution to owners											
Issuance of ordinary shares	129	-	-	-	-	-	-	-	129	-	129
Conversion of warrants to ordinary shares	90	-	-	(90)	-	-	-	-	-	-	-
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(162)	(162)	-	(1612)
Equity-settled share-based payment transaction	-	-	-	-	-	-	-	102	102	-	102
Total transactions with owners	219	-	-	(90)	-	-	-	(60)	69	-	69
Balance as at 30 June 2017	272,592	6,811	7,042	2,424	(229)	-	(28)	(202,486)	86,126	1,934	88,060

1(d)(i) Continued

The Company	Share Capital US\$'000	Perpetual Securities US\$'000	Fair value Reserve US\$'000	Warrants US\$'000	Accumulated Losses US\$'000	Total US\$'000
Balance as at 1 January 2018 as previously reported	272,670	6,811	-	2,384	(238,077)	43,788
Adoption of new/revised SFRS (I)	-	-	-	-	(481)	(481)
Restated balance as at 1 January 2018	272,670	6,811	-	2,384	(238,558)	43,307
Total comprehensive loss for the period	-	-	-	-	(2,269)	(2,269)
Transactions with owners, recognised directly in equity Contributions by and distribution to owners						
Issuance of ordinary shares	-	-	-	-	-	-
Conversion of warrants to ordinary shares	-	-	-	-	-	-
Accrued convertible perpetual capital securities distributions	-	-	-	-	(170)	(170)
Distribution on redeemable exchangeable preference shares	-	-	-	-	(266)	(266)
Equity-settled share-based payment transaction	-	-	-	-	116	116
Total transaction with owners	-	-	-	-	(320)	(320)
Balance as at 30 June 2018	272,670	6,811	-	2,384	(241,147)	40,718
Balance as at 1 January 2017	270,373	6,811	-	2,514	(216,532)	65,166
Total comprehensive income for the period	-	-	-	-	(1,661)	(1,661)
Transactions with owners, recognised directly in equity Contributions by and distribution to owners						
Issuance of ordinary shares	129	-	-	-	-	129
Conversion of warrants to ordinary shares	90	-	-	(90)	-	-
Accrued convertible perpetual capital securities distributions	-	-	-	-	(162)	(162)
Equity-settled share-based payment transaction	-	-	-	-	102	102
Total transaction with owners	219	-	-	(90)	(60)	69
Balance as at 30 June 2017	272,592	6,811	-	2,424	(218,253)	63,574

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

During the second quarter of 2018, there were no allotment and issuance of new ordinary shares, as there were no warrants being exercised by the warrant holders.

As at 30 June 2018, the Company had 13,166,385,035 ordinary shares issued and 3,084,660,568 outstanding convertibles. As at 30 June 2017, the Company had 13,139,385,035 ordinary shares issued and 3,200,081,668 outstanding convertibles.

As at 30 June 2018, there were 7,299,270 redeemable exchangeable preference shares (30 June 2017: 7,299,270) in a subsidiary available for exchange to 523,620,516 ordinary shares of the Company.

The Company did not hold any treasury shares as at 30 June 2018 and 30 June 2017.

- 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 June 2018, the issued and paid up share capital (excluding treasury shares) of the Company comprised 13,166,385,035 (31 December 2017: 13,166,385,035) ordinary 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.

- 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 in the most recently audited annual financial statements for the financial year ended 31 December 2017.

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.

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group has adopted the new SFRS (I) framework in 2018 and concurrently applied the following SFRS (I)s, interpretations of SFRS(I) and requirements of SFRS (I) which are mandatorily effective from 1 January, 2018.

SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*

SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016

SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *insurance contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* issued by the IASB in September 2016

The adoption of the new financial reporting framework has no material impact to the Group's and the Company's financial statements in the year of initial application except for SFRS (I) 9.

Adoption of SFRS (I) 9 impacted the Group's and the Company's statement of financial position as of 1 January 2018 as follows:

- 1) The investment in quoted shares are designated as fair value through other comprehensive income (FVOCI) as they are held to maintain liquidity for the Group and may be sold from time to time should the need arises. When the investment is derecognised, any changes in fair value recognised in OCI will not be reclassified to profit or loss upon disposal of the investment in quoted shares.
- 2) Impairment of financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI) (except for investments in equity instruments) is now based on the expected credit loss model instead of the previous "incurred loss" model used previously.

The following summarises the effects on the Group's and the Company's statement of financial position as of 1 January 2018.

	<u>Group Level</u>			<u>Company Level</u>		
	As previously reported	Effect of SFRS (I) 9	As restated	As previously reported	Effect of SFRS (I) 9	As restated
Other receivables	17,955	(402)	17,553	-	-	-
Trade and other receivables	12,644	(105)	12,539	935	(2)	933
Amount due from subsidiaries	-	-	-	2,417	(77)	2,340
Amount due from joint venture	-	-	-	1,722	(402)	1,320
Other assets	117,264	(12)	117,252	87,397	-	87,397
Total assets	147,863	(519)	147,344	92,471	(481)	91,990
<u>Equity</u>						
Accumulated losses	(236,530)	(519)	(237,049)	(238,077)	(481)	(238,558)
Others	291,492	-	291,492	281,865	-	281,865
	54,962	(519)	54,443	43,788	(481)	43,307

The Group has not restated the comparative information for the effect of adopting SFRS (I) 9 but has instead recognized the effect in revenue reserves and other reserves as at January 1, 2018.

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.

Earnings per share ("EPS") after deducting any provisions for preference dividends:

		Group			
		2Q 2018	2Q 2017	1H 2018	1H 2017
(a)	EPS based on weighted average number of ordinary shares in issue (in US cents)	0.01	0.01	0.01	0.02
	Weighted average number of ordinary shares (in million)	13,166	13,053	13,166	13,114
(b)	EPS based on fully diluted basis (in US cents)	0.01	0.00 ^N	0.00 ^N	0.01
	Weighted average number of ordinary shares (in million)	13,166*	15,266	13,166*	15,335
		Group			
		2Q 2018	2Q 2017	1H 2018	1H 2017
(a)	EPS based on weighted average number of ordinary shares in issue (in SGD cents)	0.01 [^]	0.01 [^]	0.01 [#]	0.02 [#]
	Weighted average number of ordinary shares (in million)	13,166	13,053	13,166	13,114
(b)	EPS based on fully diluted basis (in SGD cents)	0.01	0.01 [^]	0.01	0.02 [#]
	Weighted average number of ordinary shares (in million)	13,166*	15,266	13,166*	15,335

^N Less than 0.01

* Perpetual capital securities, warrants and redeemable exchangeable preference shares were not included in the computation of the diluted earnings per share because these potential shares were anti-dilutive.

[^] Conversion to SGD were based on 2Q 2018 average exchange rate of USD 1: SGD 1.3423 (2Q 2017: USD1 : SGD 1.3861).

[#] Conversion to SGD were based on 1H 2018 average exchange rate of USD 1: SGD 1.3289 (1H 2017: USD1 : SGD 1.3966).

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	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the period reported on (in US cents)	0.41	0.40	0.31	0.33

	Group		Company	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Net asset value per ordinary share based on existing issued share capital excluding treasury shares as at the end of the period reported on (in SGD^ cents)	0.56	0.54	0.42	0.44

^ Conversion to SGD were based on 30 June 2018 exchange rate of USD 1: SGD 1.3650 (31 December 2017: USD 1: SGD 1.3366).

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.

On 29 March 2018, the Group entered into a sale and purchase agreement and an addendum to the aforesaid agreement (collectively, the "**SPA**"), to acquire all the shares in the operating companies ("**Proposed Acquisition**") ("**Operators**") that holds the power purchase agreements ("**PPAs**"), and operates the hydropower assets which they have leased from the Group ("**Hydro Power Assets**"). The Operators holds 12 power purchase agreements ("**PPAs**") to operate 12 mini hydropower plants in South Asia (the "**MHPPs**"), and had leased the Group's Hydro Power Assets for these plants.

In 2Q 2018, shares in the Operators were successfully transferred to the Group. Accordingly, the Operators became the Group's wholly owned subsidiaries, and the results of the Operators for the period beginning 1 April 2018 have been consolidated as part of the Group's performance. The purchase price allocation exercise has not been finalized at the date of this report.

Consideration of US\$1,875,000 which is payable by way of issue and allotment of ordinary shares in the share capital of the Company ("**Consideration Shares**") will be issued and allotted to the Vendors upon completion and the fulfilment of the conditions contained in the **SPA**.

Income Statement Review

2Q 2018

1. The Group's revenue for 2Q 2018 increased by approximately US\$1,075,000 to US\$5,816,000 as compared to 2Q 2017 due to revenue from the solar photovoltaic power plant in China of US\$1,635,000. The increase came about as the subsidiary in China received the approval and part payment for one of the subsidies. Accordingly, the subsidies for the electricity sold till date have been recognized and accrued for, contributing to increase in revenue by US\$1,029,000 for 2Q 2018.

The increase is also partly due to additional revenue of US\$643,000 contributed by the hydropower plants as a result of the successful acquisition of the operators of the Group's hydropower assets.

The increase is partly offsetted by the non recognition of charter income from the Group's vessels (2Q2017: US\$1,202,000) because of the uncertainty of collection.

Cost of sales comprised mainly depreciation and amortisation expenses. The cost of sales for 2Q 2018 increased due to depreciation expense of US\$198,000 from the solar photovoltaic power plant in China which commenced operation in January 2018, as well as cost of sales arising from the operations of the MHPPs of US\$737,000. This increase is offsetted by the lower depreciation from existing plant and equipment post impairment in 4Q 2017, resulting in the overall increase in Cost of sales by approximately US\$198,000.

As a result of the above, the Group's gross profit for 2Q 2018 increased by approximately US\$877,000 to US\$3,455,000 as compared to 2Q 2017.

2. Other operating expense in 2Q 2017 mainly relates to impairment on the investment in quoted share of US\$827,000. The decrease in 2Q 2018 is due to the adoption of SFRS (I) 9 where changes in fair value of investment in quoted shares are recognized in OCI.
3. Administrative and marketing expenses in 2Q 2018 increased by US\$779,000 as a result of the operations of the MHPPs of US\$703,000, as well as the solar photovoltaic power plant in China of US\$63,000.
4. Finance costs in 2Q 2018 increased by US\$876,000 to US\$1,536,000 as compared to 2Q 2017 mainly due to interest expense on loans from related parties during the period and finance cost for the solar photovoltaic power plant in China which is recognised as interest expense when it started operating in January 2018.
5. The increase in share of profit of jointly controlled entities in 2Q 2018 as compared to 2Q 2017 was mainly due to the Group's joint venture in India which had just started operations in 1Q 2018.
6. The increase in tax expense in 2Q 2018 of US\$399,000 is due to corporate tax expenses incurred by the Group's hydropower assets operations.

1H 2018

1. The Group's revenue for 1H 2018 increased as compared to 1H 2017 due to revenue from the solar photovoltaic power plant in China which was commissioned in January 2018 of US\$2,159,000. The increase came about as the subsidiary in China received the approval and part payment for one of the subsidy. Accordingly, the subsidies for the electricity sold till date have been recognized and accrued for, contributing to increase in revenue by US\$1,436,000 for 1H 2018. Revenue had partly increase as a result of additional revenue contributed by the operations of the MHPPs of US\$643,000.

This increase was offsetted by the decrease in revenue, due to non recognition of charter income from the Group's vessels (1H 2017: US\$2,389,000) because of the uncertainty of collection. This

resulted in the overall increase in the Group's revenue for 1H 2018 of US\$421,000 as compared to 1H 2017.

Cost of sales in 1H 2018 comprised mainly depreciation and amortisation expenses. The cost of sales in 1H 2018 decreased as compared to 1H 2017 due to lower depreciation from existing plant and equipment post impairment in 4Q 2017. This decrease was offset by the increase in depreciation from the solar photovoltaic power plant in China of US\$401,000, as well as cost of sales arising from the operations of the MHPPs of US\$737,000, resulting in the overall decrease in cost of sales of approximately US\$283,000 to US\$4,045,000.

As a result of the above, the Group's gross profit for 1H 2018 increased by approximately US\$704,000 to US\$5,849,000 as compared to US\$5,145,000 in 1H 2017.

2. Other operating expense in 1H 2017 mainly relates to impairment on the investment in quoted share of US\$827,000. The decrease in 2Q 2018 is due to the adoption of SFRS (I) 9 where changes in fair value of investment in quoted shares are recognized in OCI.
3. Administrative and marketing expenses increased by US\$837,000 mainly due to the operations of the MHPPs of US\$703,000, as well as the solar photovoltaic power plant in China of US\$134,000.
4. Finance costs in 1H 2018 increased by US\$1,542,000 to US\$2,869,000 as compared to 1H 2017 mainly due to interest expense on loans from related parties during the period and finance cost for the solar photovoltaic power plant in China which is recognised as interest expense when it started operating in January 2018.
5. The increase in share of profit of jointly controlled entities in 1H 2018 as compared to 1H 2017 was mainly due to the Group's joint venture in India which had just started operations in 1H 2018.
6. The increase in tax expense in 1H 2018 of US\$398,000 is due to corporate tax expenses incurred by the Group's hydropower assets operations.

Statement of Financial Position Review

1. The increase in property, plant and equipment was mainly due to the addition of assets held by the operators of the Group's hydropower assets. This increase is partly offset by the depreciation of the Group's plant and equipment in 1H 2018, as well as reclassification of US\$4,628,000 from Assets under construction to trade and other receivables. This amount pertains to cost reductions from the construction of the solar photovoltaic power plant in China of US\$2,345,000 as well as tax recoverables of US\$2,283,000.
2. The increase in joint ventures as at 30 June 2018 as compared to 31 December 2017 was due to the Group's share of profit from the joint ventures for 2Q 2018.
3. The decrease in the investment in quoted shares was due to the impairment of these shares as at 30 June 2018 as compared to 31 December 2017.
4. Intangible assets relate to the approvals and permits for the development of the solar photovoltaic power plant and sales of electricity from the power plant.
5. The increase in trade and other receivables as at 30 June 2018 as compared to 31 December 2017 is partly due to the amount reclassified from Assets under construction of US\$4,628,000, as well as increase in trade and other receivables of the solar photovoltaic power plant of US\$1,332,000 and accommodation module of US\$205,000. This increase is offset by the decrease in trade receivables from the MHPPs of US\$5,141,000, as the trade receivable from the lease rental charged for the Group's Hydro Power Assets (31 December 2017: US\$8,353,000) was eliminated at group level upon the acquisition of the operators who were leasing the Hydro Power Assets, offset by the trade and other receivables of the operators (30 June 2018: US\$3,212,000).

6. Inventories pertains to parts purchased by the operators of the MHPPs for the upkeep and maintenance of the plant and machineries in the MHPPs.
7. Other reserves mainly relate to the currency translation arising from foreign operations as well as translation differences relating to financial statements of foreign operations and changes in fair value of investment in quoted shares.
8. Amounts due to related parties relates to loans from related parties who are also shareholders of the Group. Increase is due to the interest expense payable in 1H 2018.
9. The increase in financial liabilities was as at 30 June 2018 as compared to 31 December 2017 was due to overdraft liabilities of US\$1,973,000 of the operators of the MHPPs. This increase was offsetted by the decrease in the loan of the solar photovoltaic power plant as a result of foreign exchange gains, as well as repayment of bank loans during the period, resulting in overall gain of US\$234,000.
10. The increase in trade and other payables as at 30 June 2018 as compared to 31 December 2017 is due to the consideration amount payable to the Vendor of US\$1,875,000 for the purchase of the operators of the MHPPs, as well as accrued interest payable for the Group's borrowings of US\$1,470,000.

As at 30 June 2018, the Group was in a net current liabilities position of US\$37,543,000 and this was mainly due to the classification of the Group's term loans of US\$44,876,000 as current liabilities. The classification as current liabilities was a result of the Group not paying these term loans while the Group is currently in negotiations with the banks to refinance the said term loans.

In addition, based on its internal budget and cash flow planning, the Group is also confident that it would be able to meet its other short term obligations as and when they fall due upon successful completion of the restructuring of the said term loans.

Statement of Cash Flows Review

2Q 2018

1. Net cash generated from operating activities in 2Q 2018 was approximately US\$1,340,000.
2. Net cash used in investing activities in 2Q 2018 was approximately US\$49,000. This was due to the purchase of plant and equipment in 2Q 2018.
3. Net cash used in financing activities in 2Q 2018 was approximately US\$918,000. This was mainly due to repayment of borrowings as well as interest paid in 2Q 2018.

1H 2018

1. The Group's net cash generated from operating activities in 1H 2018 was approximately US\$2,210,000.
2. Net cash used in investing activities in 1H 2018 was approximately US\$111,000. This was mainly due to the purchase of plant and equipment in 2Q 2018.
3. Net cash used in financing activities in 1H 2018 was approximately US\$2,005,000. This was mainly due to due to repayment of borrowings as well as interest paid for the borrowings in 1H 2018.

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 successful acquisition of the shares in the Operators of the Group's Hydro Power Assets represents a step forward in the Group's restructuring efforts. Being the owner as well as the operators of the 12 MHPPs in South Asia enhances the value of the Group's portfolio, aiding the Group's efforts in the refinancing of the outstanding loans. The Group will continue to focus on the development and operation of assets in the renewable energy sector.

The Group is also actively working on the divestment of its oil & gas related plant and equipment.

11. **Use of Proceeds**

Not applicable. No proceeds have been received in Q2 2018.

12. **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.

- (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.

13. **If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared or recommended for 2Q 2018.

14. **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 26 April 2018, obtained a general mandate from shareholders for interested person transactions ("IPTs").

For details, please refer to the Appendix to Annual Report 2017 dated 11 April 2018.

Particulars of IPTs for the period 1 January 2018 to 30 June 2018 are as follows:

	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)
Name of interested person	US\$	US\$
<u>Management fee paid/payable to</u> Ezion Holdings Limited	NIL	61,697
<u>Interest paid/payable to</u> Ezion Holdings Limited	423,553	NIL

15. 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

Chong Wai Ching
Company Secretary
8 August 2018

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

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 June 2018 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**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.*

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

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).