

CHARISMA ENERGY SERVICES LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199706776D)



RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Board of Directors (the "**Board**") of Charisma Energy Services Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that it has received queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 9 March 2020 (the "**9 March Queries**") as well as further clarification queries dated 11 March 2020 on the 9 March Queries (the "**11 March Clarifications**", together with the 9 March Queries, the "**Queries**") in relation to the voluntary trading suspension of the Company and wishes to respond to the Queries as follows in this announcement. The Company is continuing the trading suspension of the shares on the SGX-ST on the basis set out below.

In connection with the Company's responses to the Queries, the Company also wishes to refer to its previous announcements dated 28 January 2019, 8 April 2019, 12 April 2019, 3 July 2019, 30 August 2019, 31 October 2019 and 17 January 2020 ("**Previous Announcements**"), the unaudited financial results of the Group for the third quarter and nine months ended 30 September 2019 as announced on 12 November 2019 (the "**Results Announcement**")¹, the announcement dated 4 February 2019 (the "**Trading Suspension Announcement**") and the announcement dated 5 February 2020 (the "**Update Announcement**").

The Company has been in touch with the SGX, via the Sponsor, on the matter of an update announcement on the continued suspension of Charisma, since 25 February 2020 and the Company will continue to address questions from the SGX.

(A) 9 March Queries

No.	SGX Queries	Company's response
1	Please provide a recap of the reason for the Company's suspension of trading wef 7 Feb 2020, and the updates to the situation thus far.	<p>Prior to the trading suspension, the Company was holding discussions with its various stakeholders on the Company's financing and capitalisation structure. Taking into consideration the dynamic situation that the Company was in, the Board had recommended that the trading of the shares of the Company (the "Shares") be suspended on a voluntary basis, and until all material information regarding the Company's financing and capitalisation structure has been disclosed.</p> <p>Updates on the situation</p> <ul style="list-style-type: none">As announced in the Update Announcement:<ul style="list-style-type: none">the Group had successfully restructured one (1) of the subsidiary's bank financing facility

¹ The Company had, in its announcements on 26 February 2020 and 6 March 2020, stated that an application has been submitted, through its sponsor, to seek approval from the SGX-ST for (i) a 60-day extension of time to comply with Rule 705(1) of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") to announce its unaudited financial statements for financial year ended 31 December 2019, no later than 29 April 2020; and (ii) a 60-day extension of time to comply with Rules 707(1) and 707(2) of the Catalist Rules to hold its annual general meeting no later than 29 June 2020.

		<p>for a maturity extension of seven years to October 2026 with a bank lender;</p> <ul style="list-style-type: none"> ○ the Company had also entered into a standstill agreement up to October 2020 with another bank lender, of which the lender has agreed to withhold demand for payment under the standstill period; and ○ the Company was still in discussions with one (1) remaining bank lender in relation to its financing structure – and the Company remains in such discussions as of the date of this announcement; <ul style="list-style-type: none"> • In relation to the maturity of redeemable and exchangeable preference shares (the “REPS”), pursuant to the expiry of the standstill period on 29 February 2020 (such standstill period expiry date as previously set out in the Company’s announcement dated 17 January 2020), the Company is currently in the midst of discussion with the holders of the REPS to further extend the standstill period to 30 April 2020; • As announced in the Results Announcement, the Company had recognised lower revenue contribution from mini hydro power assets in Sri Lanka partly due to the suspension in revenue recognition in certain hydro plants that are pending finalisation of renewal of the Power Purchase Agreements (the “PPAs”). As of the date of this announcement, the PPAs of the mini hydro power assets amounting to 13.6MW have yet to be finalised for renewal. While the operation of business activities of the mini hydro power assets remains within the Group’s expectation, further prolonged finalisation of renewal of PPA as well as slower payment by the debtors on outstanding trade receivable balance will have negative impact on the Group’s operating cashflows; • As announced in the Results Announcement, the Group has an outstanding US\$16.3 million of trade and other payables amount including interest owed to creditors. While no letters of demand has been received by the Group, the Group is working with some of these creditors to repay the outstanding balances on an instalment basis; • As announced previously on 12 April 2019, the Group plans to divest some of the Group’s assets as part of its finance restructuring exercise. As at the date of this announcement,
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		<p>the Group is currently in negotiation with prospective buyers on divesting certain of the Group's assets, specifically:</p> <ul style="list-style-type: none"> ○ the Group had, in January 2020, signed a non-binding memorandum of understanding on one (1) of its solar assets and is in negotiation for the definitive documentation; and ○ the Group had also started negotiation on a divestment of another solar asset in December 2019. However, the progress of the negotiation on such divestment has been delayed as a consequence of the recent outbreak of Covid-19. <p>The Group expects to be able to determine the completion dates for the divestments when the negotiation with the prospective buyers reaches the advanced stage; and</p> <ul style="list-style-type: none"> • The Group had been awarded a final judgement on 9 January 2020 amounting to approximately US\$36 million by the Singapore International Arbitration Center, in favour of the Group against a charterer customer. The Group is in the midst of enforcing the final judgement in the relevant jurisdictional courts. As at the date of this announcement, the actual recovery from the customer is uncertain and the Company had not accounted for this amount in its financial statements in the Results Announcement.
2	Please confirm if the Group can continue to operate as a going concern and the basis for the response.	The management has been directed by the Board to engage an external consultant to review the Company's financial position and its ability to operate as a going concern (the " Financial Review "). We expect the report on the Financial Review to be issued by the external consultant within one (1) month from the date of this announcement (the " Report "). The Company will provide its response to this query upon receiving the Report and after consultation with the auditors of the Company.
3	Please confirm if all material information have been disclosed, and that there is clarity in the state of affairs of the Company. If not, please explain.	As of the date of the announcement, all material information has been disclosed and there is clarity in the state of affairs of the Company announcement, save for the recent developments in the Group's operations as mentioned in query 1 relating to extension of standstill period to REPS, timing of completion of divestment of assets, renewal of PPAs of certain mini hydro plants and entering into standstill agreement with the bank lender and the completion of the Report by the external consultant.

4	Please justify and explain whether the Company should continue the suspension of its counter, and the basis for doing so. Can the AC please elaborate on whether such a decision is in the best interest of the Company and its shareholders.	As mentioned in this announcement, upon receiving the Report from the external consultant, the Company will present the final assessment for its Audit Committee and Board for their consideration and decision in relation to whether the Company should continue the suspension of its counter.
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(B) 11 March Clarifications

No.	SGX Queries	Company's response
1	Given the response to query 1 (of the Company's response submitted to the Exchange on 10 March 2020), what are the lifting conditions for the suspension?	<p>The lifting condition for the suspension is when all material information regarding the Group's financing and capitalisation structure has been disclosed and made available to all the shareholders.</p> <p>Meanwhile, the assessment of the ability of the Company to continue as a going concern is contingent upon:</p> <ul style="list-style-type: none"> • the Group getting the continual support from the lenders which is crucial to enable the Group to complete the financing restructuring exercise through the successful negotiation with the lenders for their bank financing facilities to be restructured; • the resolution of the outstanding matters with REPS holders in relation to the maturity of the REPS; • completion of the planned divestment, of which the sales proceeds from these disposals can be utilised to support repayment to the bank lenders, trade payables and the Group's operating expenses; and • the Group's continued ability to generate positive operating cash flows from the expected revenue from existing customers and contracts.
2	What is the total quantum of the debts being restructured and negotiated at the moment? With how many lenders in total? How material is this amount to the Group? Currently, were any cross-default situations triggered?	<p>The total quantum of the debts being restructured and negotiated as at the date of this announcement, is approximately US\$45 million with three (3) bank lenders, which is a material amount to the Group as it is approximately 75% of its current liabilities. Of this amount, the Group has restructured US\$19 million on a financing facility of a subsidiary with one (1) of the bank lenders.</p> <p>Currently, due to the continued engagement by the Company with the bank lenders, there has not been any cross default situations triggered.</p>

3	On the bank lender with whom the Company had entered into a standstill agreement up to Oct 2020, was the amount successfully restructured or the amount remains due and payable at the current moment?	<p>This bank lender has agreed to withhold demand payment during the standstill period, hence this amount is not due and payable at the current moment. The standstill period will expire in October 2020. This allows the Group more time to explore options to restructure the debt which include, but not limited to, the divestment of certain Group's assets.</p> <p>However, in the event that the standstill arrangement is terminated or the standstill period expires prior to the restructuring of the debt, the outstanding amount under the loan will be immediately due and payable.</p>
4	What does the current situation entail for the shareholders?	<p>As disclosed in the Previous Announcements and above, the Group remains focused on the completion of the financing restructuring exercise, of which the Group is still engaging in discussions with the various stakeholders in relation to the financing restructuring exercise and in discussions with a few interested parties in the planned divestment of the Group's assets.</p> <p>The Company's Shares are currently under voluntary trading suspension and the Company is in the midst of assessing its ability to continue as a going concern and will be engaging the external consultant to assist with this.</p> <p>Upon receipt of the Report from the external consultant and assessment by the Audit Committee and the Board, the Company will make an announcement.</p> <p>In the event that the Company's assessment is that it is able to continue as a going concern, the Company will make the request to the SGX-ST for the suspension of the trading of the Shares to be lifted. Otherwise, the Shares should remain suspended under Rule 1303(3) of the Catalist Rules.</p>

FURTHER UPDATES TO SHAREHOLDERS

The Company is fully focused on working towards the favourable conclusion of the outstanding issues and would like to extend its appreciation to its shareholders, bank lenders and all other stakeholders for their patience and support during these challenging times.

The Company will provide updates as and when there are further developments.

CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and further announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD
Charisma Energy Services Limited

Tan Wee Sin
Company Secretary
13 March 2020

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 Catalyst.

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).