CHARISMA ENERGY SERVICES LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199706776D)

CHARISMA ENERGY

ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE CATALIST RULES IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**"), the Board of Directors (the "**Board**" or "**Directors**") of Charisma Energy Services Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to advise that the Company's independent auditor, KPMG LLP has issued a Disclaimer of Opinion on the Group's financial statement for the financial year ended 31 December 2019 (the "**Audited Financial Statements**").

The basis for the disclaimer of opinion and material uncertainties in relation to the Group's financial statements for FY2019 are set out in more detail in the Independent Auditor's Report (the "**Independent Auditor's Report**"), a copy of which is attached as Appendix I in this announcement. The Independent Auditor's Report is part of the annual report of the Company for the financial year ended 31 December 2019 ("**FY2019 Annual Report**"), which has been released on the SGXNET on 31 May 2020.

As mentioned in the Company's announcements dated 1 April 2020 and 18 May 2020, the Company's Audit Committee and Board will be able to make a more informed assessment/decision of the Group's ability to carry on as a going concern after having obtained the Financial Review Report by the external consultant, which is expected to be issued by mid-June 2020. The Company's Audit Committee and Board believe that the use of the going concern assumption in the preparation of the financial statements would be appropriate if the Group is able to complete the financial restructuring exercise with its three Bank lenders, agree to a settlement plan with its unsecured creditors, and contingent upon the following:

1) the continual support from the Bank lenders and the redeemable exchangeable preference shares (REPS) holders which is critical for achieving success in refinancing of loans or extension of the standstill agreements;

2) realisation of the forecasted positive operating cashflow of the Group;

3) the successful planned divestment of some of the Group's assets within the standstill period with the Bank lenders; and

4) the continual support from other stakeholders including reaching an agreed settlement plan with the unsecured creditors.

Please refer to "Note 2 to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2019", a copy which is attached as Appendix II in this announcement.

Shareholders of the Company are advised to read this announcement in conjunction with the FY2019 Annual Report.

CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and the other 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
3 June 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 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).

APPENDIX I

Extracted from the Independent Auditors 'Report to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2019

Independent auditors' report

Members of the Company
Charisma Energy Services Limited

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Charisma Energy Services Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS88.

We do not express an opinion on the accompanying consolidated financial statements of the Group or the statement of financial position of the Company. Because of the significance of the matters described in the 'Basis for Disclaimer of Opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(i) Recoverability of interests in joint venture and amounts due from joint venture

As at 31 December 2019, the Group's interests in a joint venture ("JV") reported in Note 9 and Note 11 to the financial statements relates to Rising Sun Energy Group ("RSE Group") which, respectively, consists of equity-accounted investment of US$5,234,000 (2018: US$5,625,000) and amount due from RSE Group of US$9,139,000 (2018: US$9,148,000). As part of the Group's plan to improve liquidity stated in Notes 2 , 9 and 34 to the financial statements, there is a plan for RSE Group to divest its solar plant (the "divestment plan") and use the sales proceeds to repay the amounts owed to the Group. The recoverable value of the Group's interests in RSE Group is dependent on the divestment value of the solar plant, which may differ from the carrying values accounted for by the Group. As at the date of this report, the Group is in talks with interested parties on the divestment of RSE Group's solar plants. In the absence of a binding offer for RSE Group's solar plants or other alternative evidence of its fair value, we have been unable to obtain sufficient evidence to determine whether any adjustments to the equity-accounted value of the investment in RSE Group, and/or any additional impairment loss on the amounts due from RSE Group might have been necessary. The financial statements do not include any adjustments to the carrying amount of the Group's interest in RSE Group at 31 December 2019.

(ii) Deficiencies in shareholders' equity and net working capital

The Group incurred net loss of US$26,749,000 (2018: US$41,708,000) for the year ended 31 December 2019. As at that date, the Group and the Company had net current liabilities of US$58,999,000 and US$75,576,000, respectively; and net liabilities of US$19,800,000 and US$7,888,000, respectively. Management expects the Group's and Company's net working capital and shareholders' equity to remain negative for at least the next 12 months as the forecast operating cashflows of the Group and Company for the same period are insufficient to address the deficiencies. As at the date of this report, there is no re-capitalisation plan to improve the working capital and shareholders' equity positions.

(iii) Loans and borrowings with lenders

As at 31 December 2019, the Group has outstanding bank loans of US$44,431,000 (2018: US$43,178,000) that were classified as "current liabilities". Notes 2 and 22 to the financial statements described various re-financing arrangements reached with lenders, and other on-going re-financing plans to be negotiated with lenders. With the Group having defaulted on certain loan obligations and breached loan covenants on certain credit facilities, the financial statements do not include any adjustments that would result from a failure to obtain such support and funding.

(iv) Loan from a shareholder

As at 31 December 2019, loan from a shareholder of US$23,621,000 was classified as "current liabilities" after the Group breached loan covenants. Notes 2 and 20 to the financial statements state the Group's on-going negotiation with the shareholder to restructure the loan. There is however no formal agreement reached with the shareholder to support such debt restructuring plan.

(v) Asset divestment plans

Note 2 to the financial statements states the Group's on-going plan to divest its solar assets and other non-core investments in the near-term to raise the necessary funding to meet its debt obligations. Together with the preceding paragraph raised in (i) above, we are unable to obtain sufficient evidence to support the expected realisation of these asset divestment plans.

(vi) Cash flows from operating activities

Note 2 to the financial statements states the Group's expectation of generating positive cash flows from the Group's continuing businesses to meet its working capital needs, and debt obligations as and when fall due at least in the next 12 months from the reporting date. With COVID-19 pandemic described in Note 35 to the financial statements together with the economic challenges and regulatory matter encountered in the Group's energy and power segment as described in Note 5, the Group's operating cash flow forecasts are subject to risk of estimation uncertainties.

These conditions set out in the preceding paragraphs reflect the presence of multiple material uncertainties that are significant to the financial statements as a whole. The financial statements do not include any adjustments, including re-classifications that may be necessary as a result of these uncertainties.

The comparative financial statements similarly disclaimed were caused by presence of multiple material uncertainties.

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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), 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.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing (SSAs) and to issue an auditors' report. However, because of the matters described in the 'Basis for Disclaimer of Opinion' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the '*Basis for Disclaimer of Opinion*' section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Loo Kwok Chiang, Adrian.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 May 2020

APPENDIX II

Extracted Note 2 to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2019.

2. Going concern

The Group incurred a net loss of US$26,749,000 for the year ended 31 December 2019. As of that date, the Group and Company were in net liabilities positions of US$19,800,000 and US$7,888,000, respectively; and in net current liabilities positions of US$58,999,000 and US$75,576,000, respectively. In the assessment of the appropriateness of going concern assumption used in the preparation of the financial statements, the directors of the Company have considered various re-financing arrangements reached with lenders, and other on-going re-financing plans to be negotiated with lenders and a shareholder, together with certain asset divestment plans and cash flows to be generated from the Group's continuing businesses.

(i) Loans and borrowings and re-financing arrangements with lenders

As at 31 December 2019, the Group has outstanding bank loans of US$44,431,000 (2018: US$43,178,000) that were classified as "current liabilities", but settlement of these obligations in the next 12 months is not expected. Of these outstanding obligations,

- US$17,769,000 has been restructured to be repaid progressively over 84 months commencing from November 2019 ("Loan A arrangement");
- US$2,402,000 is scheduled for repayment by April 2022 ("Loan B arrangement");
- US$3,000,000 has been placed under debt moratorium through October 2020 ("Loan C arrangement"), with repayment planned thereafter from funds from asset divestments and cash flows from the Group's continuing businesses; and
- US$20,483,000 has been subject to on-going negotiation with lenders to revise the repayment terms and dates ("Loan D arrangement") after the Group defaulted $5,982,000 when due between 2017 and 2019.

Despite the restructuring of Loan A arrangement, the lender continues to impose the Group with similar financial covenants that have been breached, resulting in the entire loan obligation classified as "current liabilities". The current classification of Loan B is caused by a cross default clause invoked by lender after the Group defaulted its payments on other loan facilities. To-date, lenders for Loan A, Loan B, and Loan D arrangements have not issued any demand for immediate repayment whilst Loan C has been placed under moratorium until October 2020.

(ii) Loan from a shareholder

As at 31 December 2019, the Group has loan from a shareholder of US$23,621,000 that was classified as "current liabilities" after the Group breached loan covenants. Those breaches have not been waived, as the Group continues to negotiate with the shareholder to restructure the loan. To-date, the shareholder has not demanded for immediate repayment of this loan.

(iii) Assets divestment

The Group is in various discussions with interested parties to divest its solar assets and other non-core investments in the near-term. The Group believes that the divestment of these assets would bring in the necessary funding to meet its debt obligations at least in the next 12 months from the reporting date; and

(iv) Cash flows from operating activities

The Group expects to generate positive operating cash flows from its energy and power services segment to meet its working capital needs and debt obligations at least in the next 12 months from the reporting date.

Notwithstanding the directors' belief that the use of going concern assumption in the preparation of the financial statements remains appropriate, there are material uncertainties about (a) the lenders' and shareholder's commitment to continue provide funding to the Group and Company, (b) the execution and timing of the Group's asset divestment plans to raise additional funding, and (c) the operating cash flows to be generated from the Group's continuing businesses following the COVID-19 pandemic, so as to meet debts as and when they fall due, at least in the next 12 months from the reporting date. If for any reason the Group and Company are unable to continue as a going concern, it could have an impact on the Group's and Company's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.