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

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

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*Unless otherwise defined, all capitalised terms used in this announcement which are not defined herein shall have the same meanings ascribed to them in the announcements by Charisma Energy Services Limited (the "**Company**") dated 13 March 2020, 18 May 2020 and 17 June 2020 in relation to the updates on the going concern assessment and the monthly update announcements dated 2 October 2020, 4 November 2020, 3 December 2020, 5 January 2021, 3 March 2021, 16 April 2021 and 27 May 2021 (collectively the "**Previous Announcements**").*

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 2020 (the "**Audited Financial Statements**").

The basis for the disclaimer of opinion and material uncertainties in relation to the Group's financial statements for FY2020 are set out in more detail in the independent auditor's report issued by KPMG LLP (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 2020 ("**FY2020 Annual Report**"), which has been released on the SGXNET on 15 June 2021.

As mentioned in the Company's monthly update announcements dated 16 April 2021 and 27 May 2021, the Board and management of the Company is involved and engaged in discussions with an unrelated third party potential investor (the "**Potential Investor**") in relation to the investment terms and structure of the new equity investment to provide funding for the Group (the "**New Investment**"). The Company will be looking into restructuring the Group's remaining debt based on the terms that can be mutually agreed with the Potential Investor when there is certainty on the new cash funding from the New Investment (the "**Proposed Debt Restructuring Exercise**"). 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 when there is more certainty on the New Investment and Proposed Debt Restructuring Exercise, which the Company expects to materialise in the fourth quarter of the financial year ending 31 December 2021.

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 New Investment and Proposed Debt Restructuring Exercise, contingent upon the following:

1) outcome of the discussions with the Potential Investor;

2) the continual support from the relevant parties which is critical for achieving success in the Proposed Debt Restructuring Exercise;

3) realisation of the forecasted positive operating cashflow from the Group's continuing businesses; and

4) the successful planned divestment of some of the Group's assets.

Please refer to “Note 2 to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2020”, a copy which is attached as Appendix II in this announcement.

As at the date of this announcement, the Board confirms that to the best of its knowledge and belief, all material disclosures have been provided and sufficient information has been disclosed and announced.

Notwithstanding the above, the Board recommends that the trading of the Company’s shares on the SGX-ST continue to be suspended pursuant to Catalist Rule 1303(3) in view that there is a material uncertainty related to going concern that may cast doubts about the ability of the Group and the Company to continue operating as a going concern.

Shareholders of the Company are advised to read this announcement in conjunction with the FY2020 Annual Report.

**TRADING CAUTION**

Notwithstanding that the trading of the Company’s shares is suspended, shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Shareholders and potential investors who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Tan Wee Sin
Company Secretary
15 June 2021

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*This announcement has been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**Exchange**”) and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

*The contact person for the Sponsor is Ms Ng Shi Qing, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, 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 2020.*

## 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 2020, 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 FS85.

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) Deficiencies in shareholders' equity and net working capital*

The Group incurred net loss of US$2,021,000 for the year ended 31 December 2020. As at that date, the Group and the Company had net current liabilities of US$45,894,000 and US$70,658,000 respectively; and net liabilities of US$22,067,000 and US$42,781,000, respectively. As at the date of this report, there is no re-capitalisation plan to improve the working capital and shareholders' equity positions.

*(ii) Loans and borrowings with lenders*

Notes 2 and 22 to the financial statements state that the Group has outstanding financial obligations of US$30,319,000 that were classified as "current liabilities" as at 31 December 2020. Of these obligations, US$14,769,000 has been restructured with progressive repayments over 84 months since November 2019, but for the remaining US$14,590,000 that were in default and callable on demand, the repayment obligations owing to lenders have not been restructured yet. The financial statements do not include any adjustments that would result from a failure to obtain such support and/or restructuring of the outstanding financial obligations.

*(iii) Loans from shareholders*

Owing to the defaults on certain bank loans by the Group as described in Note 2 to the financial statements, the loans from shareholders of US$25,723,000 were classified as "current liabilities". The Group plans to seek continuous financial support from these shareholders, despite the cross-default clause present in the shareholder loan agreements. There is however no formal agreement reached with the shareholders to extend this financial support for at least another 12 months from the reporting date.

*(iv) Asset divestment plans*

Note 2 to the financial statements states the Group's on-going plan to divest certain assets in the near-term to raise the necessary funding to meet its debt obligations. At the date of this report, we are unable to obtain sufficient evidence to support the expected realisation of these asset divestment plans.

*(v) 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 part of its debt obligations as and when fall due at least in the next 12 months from the reporting date. Taking into consideration the economic challenges and regulatory matters described in Notes 5, 25 and 33, the timing of generation of the Group's operating cash flows is uncertain.

*(vi) Cash flows from potential investor*

Note 2 to the financial statements states the Group is in discussion with a potential investor to raise fresh funds for the Group to meet its debt obligations and capital needs. At the date of this report, we are unable to obtain sufficient evidence to assess the outcome of the ongoing discussions with the potential investor.

*(vii) New financial guarantee issued by the Company*

Note 22 to the financial statements describes the issuance of a financial guarantee by the Company in favour of a lessor for the re-scheduling of lease payments committed by an overseas subsidiary. The Company has assessed that there is no invocation of this financial guarantee according to local laws and business practices and intent of the terms and conditions set out by the lessor as included in the financial guarantee agreement; and accordingly, this financial guarantee has been measured based on its initial fair value. The financial statements do not include any expected credit loss associated with this financial guarantee.

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**
14 June 2021

## *APPENDIX II*

*Extracted Note 2 to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2020.*

## 2. GOING CONCERN

The Group incurred a net loss of US$2,021,000 for the year ended 31 December 2020. As of that date, the Group and Company were in net liabilities positions of US$22,067,000 and US$42,781,000, respectively; and in net current liabilities positions of US$45,894,000 and US$70,658,000, 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 existing re-financing arrangements reached with lenders, other restructuring plans to be negotiated with lenders, continuous financial support from shareholders, fresh investment funds from potential investor as well as the expected cash flows from the Group's continuing operations and asset divestment plans.

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

As at 31 December 2020, the Group has outstanding bank loans of US$30,319,000 (2019: US$44,431,000) that were classified as "current liabilities", of which US$17,503,000 (2019: US$21,949,000) is expected to be settled in the next 12 months. Of these outstanding obligations,

- US$14,769,000 (2019: US$17,769,000) was restructured in 2019 to be repaid progressively over 84 months commencing from November 2019 ("Loan A");
- US$1,052,000 (2019: US$2,402,000) was fully settled in March 2021 ("Loan B");
- US$2,165,000 (2019: US$3,000,000) is recallable on demand following expiry of the standstill agreement in October 2020 ("Loan C"); and
- US$11,373,000 (2019: US$20,483,000) has been in default since 2017 ("Loan D").

As Loan A continues to carry similar financial covenants that were breached, the entire loan obligation has been classified as "current liabilities". Loan C and Loan D are subject to restructuring plans to be reached between the Group and the lenders. Such restructuring plans involve extension of debt moratorium period for at least another 12 months from October 2020 for Loan C, and extension of loan repayment dates and/or maturity date beyond the next 12 months from 31 December 2020 for Loan D. As at the date of this report, lenders for Loan A, Loan C and Loan D have not issued any demand for immediate repayment.

*(ii) Loans from shareholders*

As at 31 December 2020, the Group has loans from shareholders of US$25,723,000 (2019: US$24,021,000) that were classified as "current liabilities" following the trigger of a cross default clause when the Group had defaulted on certain bank loans. The Group is seeking continuous financial support from the shareholders. To-date, the shareholders have not demanded for immediate repayment of these loans.

*(iii) Assets divestment*

The Group is in discussions with interested parties to divest certain assets. The Group believes that the divestment of these assets would bring in the necessary funding to meet part of its debt obligations.

*(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 part of its debt obligations at least in the next 12 months from the reporting date.

*(v) Cash flows from potential investor*

The Group is engaged in discussions with a potential investor to provide fresh investment funds to the Group to meet its debt obligations and capital needs.

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 shareholders' 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;
(c) the level of operating cash flows to be generated from the Group's continuing businesses given the economic challenges and regulatory landscape faced by the Group's energy and power segment; and
(d) the outcome of discussions with the potential investor.

These conditions may affect the Group's ability 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.