
RESPONSES TO QUESTIONS RAISED BY SECURITIES INVESTORS
ASSOCIATION (SINGAPORE) (“SIAS”) IN RELATION TO THE ANNUAL
GENERAL MEETING AND ANNUAL REPORT FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2023 (“FY2023”)

The Board of Directors (the “**Board**”) of Charisma Energy Services Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the questions raised by SIAS in relation to its Annual General Meeting (“**AGM**”) and Annual Report for FY2023 (“**FY2023 AR**”), which was issued on 11 April 2024.

The Company has set out responses to the questions by SIAS on this announcement. Apart from the questions raised by SIAS, the Company has not received other questions on FY2023 AR from its shareholders

By Order of the Board
Charisma Energy Services Limited

Tan Ser Ko
Chief Executive Officer

25 April 2024

*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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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RESPONSES TO THE QUESTIONS BY SIAS

Q1. The scheme of arrangement was approved by creditors in June 2023 and by the court in July 2023. The company had extended the longstop date of the new conditional subscription agreement (New CSA) to 30 April 2024, after announcing its lapse on 31 March 2024. In fact, the debt restructuring has been protracted, with the initial conditional subscription agreement lapsing on 9 July 2022.

Details of the New CSA could be found in Note 2: Going Concern (pages 70 to 72 of the annual report).

(i) What conditions outlined in the New CSA have yet to be met or waived?

Response: The updates on the status of the conditions outlined under paragraph 4.1(i) to 4.1(ix) of the New CSA conditions (printed below in italic fonts) (“**Conditions**”) are as follows:

- (i) *the full discharge by OCBC of any and all liabilities and debts owing by the Sri Lanka Sub-Group to OCBC;*
- (ii) *OCBC having agreed to the full discharge of any and all mortgage, charge, pledge, lien or other security interest securing any obligation of the Sri Lanka Sub-Group for the benefit of OCBC;*

Update: Completed.

As announced by the Company on 16 January 2024, the rights and securities under the hydro loan had been assigned from OCBC to a wholly owned subsidiary of the Subscriber (the “**Assigned Loan**”). Accordingly, the Group has been fully discharged by OCBC of any and all liabilities and debts owing by the Sri Lanka Sub-Group to OCBC.

- (iii) *the creation of a fresh debt obligation to the Subscriber (the principal amount of which shall be no less than S\$10,860,800 in consideration for the Subscriber having procured the fulfilment of the Conditions set out in Clauses (i) and (ii) above pursuant to the OCBC Debt Restructuring;*

Update: In progress.

The Company is working with the Subscriber to enter into a loan agreement on the terms and conditions as agreed in the Term Sheet (which was entered into between the Company and the Subscriber together with the New CSA) (the “**Term Sheet**”)

- (iv) *the fulfilment of the following financial conditions as listed in the New CSA (the “**Financial Conditions**”);*
 - (a) the aggregate loans owing to Pan Asia Banking Corporation plc and liabilities of the Sri Lanka sub-group, excluding any debts owed to the Subscriber, shall not be more than US\$2,400,000;

- (b) the estimated cash liabilities of the Group (less the Sri Lanka Sub-Group) net of cash balance in Singapore from 1 July 2022 to completion date shall be no more than US\$2,500,000; and
- (c) the aggregate cash liabilities of the Company arising from the settlement in accordance with the terms of the debt restructuring, shall not be more than S\$1,357,600.

Update: To be fulfilled on the completion of the New CSA.

The Group has been monitoring the Financial Conditions.

(v) *the in-principle approval of SGX-ST being obtained by the Company in relation to the listing and quotation of the Subscription Shares and the Option Shares;*

(vi) *the in-principle approval of SGX-ST being obtained by the Company in relation to the resumption of trading of the Shares on the SGX-ST;*

Update: In progress.

The Company submitted its Trading Resumption proposal to SGX RegCo on 10 November 2023. Subsequent to the submission, the Company had received queries from SGX RegCo relating to the Trading Resumption proposal submitted and the Company had submitted its response to SGX RegCo via the Sponsor. The Company is pending further advice/directives from SGX RegCo on the matter.

(vii) *the grant by the SIC (and the SIC not having revoked or repealed such grant) of the waiver of the obligation of the Subscriber to make a mandatory general offer under Rule 14 of the Singapore Code on Take-overs and Mergers for the Shares not held by the Subscriber following the allotment and issue of the Subscription Shares pursuant to the Subscription under this Agreement, the Option Shares pursuant to the exercise of the Options under this Agreement, subject to (i) any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to the Subscriber (the “**Whitewash Waiver**”); and (ii) the independent Shareholders approving at a general meeting of the Company the proposed ordinary resolution of the Company which if passed by the independent Shareholders would result in a waiver by the independent Shareholders of their right to receive a mandatory general offer from the Subscriber in connection with the allotment and issue of the Subscription Shares and the Option Shares (the “**Whitewash Resolution**”);*

Update: To be fulfilled.

Upon receiving in-principle approval from SGX RegCo on condition (vi) above, the Company will submit a whitewash waiver application to the Securities Industry Council of Singapore (the “SIC”) for a waiver of the Subscriber to make a mandatory general offer under the Singapore Code on Take-overs and Mergers for the Shares not held by the Subscriber following the issue of the shares pursuant to the New CSA.

(viii) *Shareholders' approval being obtained at an EGM to be duly convened for, inter alia, the Transactions, the allotment and issue of the Subscription Shares and the Option Shares (pursuant to the exercise of the Options), the transfer of controlling interest in the Company to the Subscriber, the Whitewash Resolution, the Divestments (if necessary), the Share Consolidation and the Debt Restructuring (including the allotment and issue of the Settlement Shares); and*

Update: To be fulfilled.

Upon the satisfaction of conditions (v) to (vii) above, the Company shall convene an extraordinary general meeting of the Company to obtain the approval from the shareholders of the Company (the "Shareholders") to proceed with the following, among others (the "EGM"):

- allotment and issue of the subscription shares and the option shares (pursuant to the exercise of the Options) under the New CSA;
- the transfer of controlling interest in the Company to the Subscriber;
- the Whitewash Resolution;
- the proposed share consolidation; and
- the allotment and issue of the settlement shares pursuant to the proposed debt restructuring.

(ix) *such consents, approval or waiver as may be required (or deemed necessary by the Parties hereto) being obtained from any other person(s), including but not limited to any governmental, regulatory body or competent authority having jurisdiction over the Parties in respect of the transactions contemplated in this Agreement and such consents, approvals or waivers not having been amended or revoked and if any such consents, approvals or waivers are subject to conditions, such conditions being reasonably acceptable to the Parties.*

Updates – To be fulfilled on the completion of the New CSA.

The Parties continue to monitor closely and shall obtain such consents, approval or waiver as soon as it comes to their notice of such requirements.

(ii) What are the challenges to finalising the loan agreement to regularise the loan with the subscriber?

Response: The Company does not foresee challenges to finalise the loan agreement to regularise the Assigned Loan. The loan agreement shall be entered into upon finalisation by the parties involved and be effective upon the completion of the New CSA subject to the fulfilment of the Conditions of the New CSA as stated above.

(iii) With the prolonged negotiations and delay in debt restructuring, would the proposed \$13.6 million share subscription be sufficient to ensure the group's viability as a going concern?

Response: The proposed \$13.6 million share subscription is sufficient to ensure the Group's viability as a going concern due to:

- the operations of the Sri Lanka Sub-Group contribute positive operating cash flows and is expected to continue doing so;

- the Assigned Loan will be subject to the terms of the Term Sheet, which will include the option by CES Hydro to convert all outstanding principal amount thereunder into shares of the Company on maturity;
- the reduction in the Company's liabilities upon the completion of the Scheme of Arrangement with certain creditors; and
- the expected discharge of the corporate guarantee issued by the Company in relation to certain outstanding liabilities of Yichang Smartpower Green Electricity Co., Ltd. ("**Yichang**") if the Proposed Yichang Divestment (as defined below) is completed. For more information on the Proposed Yichang Divestment, please refer to the responses to Q3 below.

(iv) What is the level of unencumbered cash as at 31 March 2024 and what is the rate of cash burn the company is experiencing?

Response: The level of unencumbered cash of the Group as at 31 March 2024 is approximately US\$20,000. As described in paragraph (i) above, the rights and securities under the hydro loan had been assigned from OCBC to a wholly-owned subsidiary of the Subscriber as the Assigned Loan.

With the above, the Company had obtained the approval from the Subscriber for the Company to arrange regular remittance of funds from Sri Lanka to maintain its unencumbered cash at around US\$50,000 which is the existing monthly burn rate of the Company.

Q2. As noted in the annual report, the company had submitted an application to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in November 2023 on the lifting of suspension of trading of the ordinary shares of the company on the SGX-ST.

It was noted that the ability of the group to continue as a going concern is contingent upon the completion of the New CSA with the Investor (Yin Khing Investments Limited) and the scheme.

- (i) **Can the company update shareholders on the status of its Trading Resumption proposal that was submitted to SGX RegCo on 10 November 2023?**

Response: The Company had received queries from SGX RegCo relating to the Trading Resumption proposal submitted on 10 November 2023 and had submitted our response to SGX RegCo via the Sponsor. The Company is pending further advice/directives from SGX RegCo on the matter. Notwithstanding, the Company has been made aware that the progress of certain Conditions mentioned above are also critical in SGX RegCo’s evaluation of the Trading Resumption and the Company is working closely with its Sponsors and SGX RegCo on the progress of such Conditions.

- (ii) **Has the board received any feedback from SGX RegCo regarding the proposal?**

Response: Please refer to response to Q2 (i).

- (iii) **Assuming SGX has no objections to the trading resumption application, how soon after the completion of the New CSA can trading of shares resume?**

Response: Upon receiving no objection from SGX RegCo to the trading resumption application, the Company will submit a whitewash waiver application to the SIC for a waiver of the Subscriber to make a mandatory general offer under the Singapore Code on Take-overs and Mergers for the Shares not held by the Subscriber following the issue of the shares pursuant to the New CSA.

Upon the grant by SIC of the waiver, the Company shall convene the EGM.

The timing for the Company to resume the trading of shares is contingent upon the duration of time required to complete the Conditions under the New CSA as stated in the Company’s responses to Q1 above.

Shareholders are to note that there is no certainty or assurance that the New CSA will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules of the SGX-ST, as and when there are material developments in respect of the New CSA.

- (iv) **Does the company expect changes to the management team or board of directors?**

Response: The Company will explore and consider the continuation / succession of the management team or the board of directors in further details nearer to the completion date of the New CSA.

Q3. As noted in the letter to shareholder, the group has continued with its asset divestment and has successfully disposed of Rising Sun Energy Private Limited and the two remaining Anchor Handling Tug Supply vessels. A new sales and purchase agreement was entered into for the sale of the 20MW solar photovoltaic plant in Yichang.

(i) **What are the specific terms and conditions, including the consideration, for the proposed sale of the Yichang plant? Did the company make an announcement on SGXNet?**

Response: The Company has on 7 April 2024 entered into an equity transfer agreement (the “**Agreement**”) with Smartpower Technology (Shanghai) Co., Ltd. (the “**Purchaser**”) and Yichang pursuant to which the Purchaser shall acquire from the Company:

- 80.0% of the equity interests in Yichang, being the entire equity interests held by the Company in Yichang, for an aggregate consideration of RMB23,079,260 (equivalent to approximately S\$4,306,590); and
- the shareholder’s loan of RMB23,588,869.34 (as at 23 February 2024) (equivalent to approximately S\$4,401,6501) extended by the Company to Yichang (the “**Shareholder’s Loan**”) for RMB1 (equivalent to approximately S\$0.191),

collectively, the “**Proposed Yichang Divestment**”.

The payment of the abovementioned purchase consideration shall be paid in five (5) instalments within 24 months from the signing of the Agreement.

The Purchaser shall pay:

- within five (5) Working Days after the transfer of the 80% of the equity interests in Yichang is approved at the shareholders’ general meeting and creditors’ meeting of the Company, to the Company RMB3,079,261 (inclusive of the purchase consideration for the Shareholder’s Loan of RMB1);
- the second instalment of RMB5,000,000 in cash no later than 1 September 2024;
- the third instalment of RMB5,000,000 in cash no later than 1 March 2025;
- the fourth instalment of RMB5,000,000 in cash no later than 1 September 2025; and
- the fifth instalment of RMB5,000,000 in cash no later than 1 March 2026.

¹ Based on the exchange rate of S\$1.00: RMB5.3591 as at 5 April 2024 as published by the Monetary Authority of Singapore.

² For the purposes of the Agreement, the amount of the Shareholder’s Loan as commercially agreed between the Company and the Purchaser to be reflected in the Agreement (being RMB23,079,260.33) is based on the loan amount recorded in the books of Yichang. The difference between the loan amount recorded in the Company’s books and Yichang’s books (being RMB509,609) is due to certain expenses paid on behalf by the Company which were not recognised in Yichang’s book. The Company has used the loan amount recorded in the Company’s books (being RMB23,588,868.34).

In the event that Yichang is relisted as a recipient of the national subsidy before the Purchaser has fully completed payment of the above installments, the Purchaser agrees to pay an additional RMB4,000,000 bonus payment with the fifth (last) installment.

The Company has provided certain security to secure certain outstanding liabilities owed by Yichang to Huaneng Tiancheng Finance Leasing Co., Ltd. (“**Huaneng Tiancheng Financial Leasing Liabilities**”), including a corporate guarantee. The Proposed Yichang Divestment, if completed, will enable the release of the security provided by the Company in respect of the Huaneng Tiancheng Financial Leasing Liabilities, including the corporate guarantee.

The Proposed Yichang Divestment is considered a “major transaction” as defined under Chapter 10 of the Catalist Rules of the SGX-ST. Accordingly, the Proposed Yichang Divestment is conditional on approval by the Shareholders. The Company intends to convene an extraordinary general meeting to seek Shareholders’ approval for the Proposed Yichang Divestment. The circular to Shareholders and notice of such extraordinary general meeting to be held in connection therewith will be made available to Shareholders in due course.

The Company has released an announcement on the Proposed Yichang Divestment via SGXNet on 19 April 2024. Please refer to the announcement for further details relating to the Proposed Yichang Divestment.

(ii) **When is the expected completion date for the sale transaction?**

Response: Subject to the satisfaction of the relevant closing action items in the Agreement, the Company expects the Proposed Yichang Divestment to be completed in Q3 2024.

Shareholders are to note that there is no certainty or assurance that the Proposed Yichang Divestment will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules of the SGX-ST, as and when there are material developments in respect of the Proposed Yichang Divestment.

The group’s remaining operating assets comprise 13 mini hydropower plants across 4 regions in Sri Lanka with a total capacity of 43MW.

(iii) **Can management elaborate on the growth potential of this business?**

Response: The operating entities in Sri Lanka are expected to extend the power purchase agreement of the various plants with Ceylon Electricity Board and continue to be in operations for an average of the next 15 to 20 years for the respective power plants.

In view of the above, this business is expected to continue to support the cashflow requirement of the Group, while the Group explores potential opportunities for expansion into new projects of in the power and renewable energy business.

(iv) Separately, what is the new strategic direction for the group if the New CSA is completed?

Response: The Group shall continue to be in the power and renewable energy sector and will seek shareholders' approval in the event there is any diversification or change in business profile.