Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Charisma Energy Services Limited

Stock code: 5QT

Meeting details:
Date: 29 June 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The company's independent auditor has issued a Disclaimer of Opinion on the group's financial statement for the financial year ended 31 December 2020.

The basis for disclaimer of opinion include:

- Deficiencies in shareholders' equity and net working capital
- Loans and borrowings with lenders
- Loans from shareholders
- Asset divestment plans
- Cash flows from operating activities
- Cash flows from potential investor
- New financial guarantee issued by the company

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 on pages 35 to 37 of the annual report.

In fact, the auditor has issued a disclaimer of opinion for the past three financial years.

(i) **Can management elaborate further on the group's business model and its strategic growth plans? How does it intend to create long-term shareholder value?** As at 31 December 2020, the company has accumulated losses amounting to US$(325.2) million and is in a net liability position of US$(42.78) million.

(ii) **Would the board consider including a detailed operation review in the annual report to help shareholders understand its current operations?** There is little information on the group's hydro power plant in Sri Lanka and the photovoltaic power plant in Hubei, China in the annual report.

(iii) As disclosed on page 4, the company has engaged an "external consultant" and is in the midst of negotiating with an interested investor to secure new cash funding. **Who is the external consultant? At what stage is the negotiation with the interested investor? How does the board ensure that shareholders, especially minority shareholders, are not unduly diluted as the company raises fresh capital from new investors?**

(iv) Trading of the company's shares was halted on 31 January 2019 and then suspended since 7 February 2019. **Can the independent directors help shareholders understand their roles and the level of involvement in the restructuring of the group and in the resumption of the trading of the company's shares?**

(v) **Given the disclaimers of opinion by the independent auditors, can the directors elaborate further on the reasons that, in their opinion, the financial statements as set out in the annual report, give a true and fair**

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view of the financial position of the group and of the company as at 31 December 2020 (page 30; Directors' statement)?

(vi) **Can the directors further justify why, in their opinion, there are reasonable grounds for them to believe that the company will be able to pay its debts as and when they fall due (page 30; Directors' statement)?** In Note 2 (pages 46 to 47 – Going concern), it was further disclosed that there are material uncertainties to (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.

Q2. As noted in the Corporate Governance report, one of the main responsibilities of the board is to provide entrepreneurial leadership and guidance and put in place an effective management team (page 11).

(i) **Has the board assessed its performance in the past 8-10 years? In particular, how effective was the board in setting strategy, assessing and managing risks to safeguard shareholders' interests and in creating shareholder value?** Other than Mr. Eng Chiaw Koon, the directors have been on the board for 8-10 years (since 2011-2013).

(ii) **In addition, has the board evaluated the performance of management? What were the key performance indicators used to measure the performance of management? Is the board satisfied with the long-term performance of management, especially at creating long-term value for shareholders?**

(iii) At the annual general meeting scheduled to be held on 29 June 2021, Mr. Chew Thiam Keng retires by rotation and would be seeking his re-election. **Can Mr. Chew Thiam Keng as non-executive chairman help shareholders understand his contributions and effectiveness during his tenure as non-executive chairman?**

(iv) Mr. Cheng Yee Seng and Mr. Lim Chen Yang would also be seeking shareholders' vote on their continued appointment as independent directors under a two-tier vote for long-tenured directors. **Similarly, would the two long-tenured directors help shareholders understand their contributions and effectiveness as independent directors since their appointment on May 2011 and July 2011 respectively?**

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Q3. As disclosed in page 34 (Directors' statement), the retiring auditors, KPMG LLP, have expressed that they will not be seeking re-appointment as auditors of the company at the forthcoming annual general meeting of the company. The company has proposed to appoint Nexia TS Public Accounting Corporation ("Nexia TS") as auditors of the company in place of the retiring auditors.

(i) **How did the audit committee shortlist and select Nexia TS as the (proposed) incoming auditors in place of KPMG?**

(ii) **Can the audit committee help shareholders understand why KPMG has not sought their re-appointment as auditors of the company?**

Furthermore, as disclosed in the notice of annual general meeting (dated 14 June 2021), KPMG, had on 14 June 2021, given notice to the directors not to seek re-appointment as auditors of the company at the AGM.

Catalist Rule 704(6)(a) requires an issuer to immediately announce the cessation of key persons including auditors of the issuer.

(iii) **Can the company (and the sponsor) help shareholders understand if the company has made the necessary announcement to update the market on the cessation of the auditors, as required by Rule 704(6)?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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