
PROPOSED ACQUISITION OF OPERATORS OF MINI-HYDRO POWER ASSETS IN SOUTH ASIA

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Charisma Energy Services Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had entered into a sale and purchase agreement and an addendum to the aforesaid agreement (collectively, the “**SPA**”) with History Maker Limited (the “**Vendor**”) on 29 March 2018, for the purchase (the “**Proposed Acquisition**”) from the Vendor the entire issued and paid-up share capital of Saems Capital II BV (the “**1st Target Co**”) and Blue Maven Asia Energy (Private) Limited (the “**2nd Target Co**”) (collectively, the “**Target Companies**” and the “**Target Shares**”), which include the business of the subsidiaries of both Target Companies (“**Target Subsidiaries**”) (“**Target Subsidiary Business**”).

Pursuant to an assignment and novation agreement entered into on 29 March 2018 between the Company, its wholly-owned subsidiary, Green Power S.A. Pte Ltd (“**CES Green Power**”) the Target Companies and the Vendor (the “**Assignment Agreement**”), the Target Shares will be held by CES Green Power.

The SPA and the Assignment Agreement shall collectively be known as the (“**Agreements**”).

The Target Companies currently holds 12 power purchase agreements (“**PPAs**”) to operate 12 mini hydropower plants in South Asia (the “**Hydro Power Assets**”) which key assets are owned by the Group. The Target Companies also hold a PPA for a one megawatt MHPP which is currently under construction and is expected to achieve commercial operation (“**COD**”) in October 2018.

2. CONSIDERATION

The Consideration for the Proposed Acquisition was arrived at on a willing buyer and willing seller basis by the Parties at an aggregate amount of US\$1.875 million (“**Consideration**”). The Consideration shall be payable by way of the issue and allotment of ordinary shares in the share capital of the Company (“**Consideration Shares**”). 490,312,500 Consideration Shares at a price of S\$0.005 per share shall be issued and allotted to the Vendors or the Vendor’s nominee as approved by the Company (the “**Vendor’s Nominee**”).

3. RATIONALE OF THE PROPOSED ACQUISITION

The Proposed Acquisition would enable the Group to own the PPAs, as well as to take over as operator of the mini-hydro power plants (“**MHPP**”). This would be in line with the Group’s decision to focus on opportunities in the renewable energy business and to exit the marine and offshore oil and gas. The Proposed Acquisition would:

- (a) strengthen the Group’s ability to operate the MHPP;
- (b) increase the Group’s portfolio of MHPP from 42 megawatt to 43 megawatt with a new 13th power plant which is currently under construction and is expected to achieve COD by October 2018;
- (c) enable the Group to be an active player in the renewable energy sector in South Asia;
- (d) raise the Group’s profile in the renewable energy sector in South Asia; and

- (e) leverage on the existing management and resources of the Target Companies to *inter alia*, explore new growth opportunities in other developing countries.

4. INFORMATION ON THE TARGET COMPANIES AND THE VENDOR

The information relating to the Vendors set out in this Paragraph 4 of this announcement was provided by the Vendors. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to the proper extraction and reproduction of such information herein in the context that the information is being disclosed in this announcement.

The 1st Target Co is a company incorporated under the laws of Curacao and as at the date of the SPA, has an issued share capital of US\$100,000 comprising 100,000 fully paid ordinary shares wholly-owned by the Vendor. The 1st Target Co's principal activity is an investment holding company, whose wholly-owned subsidiaries are hydropower operator in South Asia holding 12 PPAs for 12 mini hydropower plants.

The 2nd Target Co is a company incorporated in Sri Lanka and as the date of the SPA, has an issued share capital of 10,000 LKR comprising 1,000 fully paid ordinary shares wholly-owned by the Vendor. The 2nd Target Co's principal activity is an investment holding company which has a wholly-owned subsidiary that is a hydropower operator, and holds a PPA for a mini hydropower plant in South Asia.

Based on the unaudited consolidated accounts of the Target Companies and Target Subsidiaries, the Net Tangible Assets ("**NTA**") amounts to US\$2.81million and US\$0.86million respectively as at 31 December 2017.

The Vendor is a company incorporated under the laws of the British Virgin Islands and wholly owns the 1st Target Co and 2nd Target Co. The Directors of the Vendor are Mr Roshan De Silva and Mr Choon Seow Keng. The Vendor, its Directors and substantial shareholders are individually not a related party to the Company's directors or controlling shareholders.

5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

5.1 Basis of Sale

The Vendor agrees to sell and the Company agrees to purchase relying on the Vendor's representations and warranties, the Target Shares to be sold free from all encumbrances and together with all rights and advantages attaching to them (including the right to all dividends hereafter paid, declared or made in respect thereof) as at Completion (defined below).

The Vendor's representations and warranties include, among others, the specific warranty that a new 1 megawatt capacity hydro-electric facility ("**New Plant**") currently under construction in South Asia will be constructed and completed by 30 September 2018. The SPA also contains provisions for set off of certain amounts due amongst the Group, the Vendor and the Target Companies.

5.2 Consideration

On completion of the transfer of the Target Shares by the Vendor to CES Green Power on the terms and subject to the conditions contained in the SPA ("**Completion**"), the Company shall, on a date as soon as reasonably practicable by the Purchaser ("**Completion Date**"), subject to the conditions precedent set out in paragraph 5.4 (the "**Conditions Precedent**"), issue such number of Consideration Shares amounting to an aggregate value of US\$1.875 million to the Vendor or the Vendor's nominee as approved by the Company.

Pursuant to the terms of the SPA, the issue price of the Consideration Shares ("**Issue Price**") shall be the higher of the floor price of S\$0.005 ("**Issue Floor Price**") and the volume

weighted average traded price of the Company's shares ("**VWAP**") for the last full market day for trades done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") prior to the signing of the Agreements, which may be the market day of the date of signing of the SPA if so signed after 5.00 pm. Accordingly, the Issue Price would be S\$0.005, being the higher of the Issue Floor Price and the VWAP of S\$0.003 on 26 March 2018, being the last full market day for trades done on the SGX-ST prior to the signing of the Agreements. Accordingly, based on an exchange rate of US\$1: S\$1.3075, 490,312,500 Consideration Shares would be issued at an issue price of S\$0.005.

The Consideration including the Issue Price was arrived at on a willing-buyer and willing-seller basis, after negotiations which were conducted at arm's length between the parties and having taken into account, *inter alia*, all assets and rights of the 1st Target Co and 2nd Target Co.

The SPA further provides for a potential spin-off listing of the Target Companies of which subject to certain conditions being fulfilled, further new ordinary shares of the Company may be issued to the Vendors or its nominees in relation thereto, at an issue price to be determined ("**Subsequent Tranches**"). In this regard, the Company will announce any material developments and provide detailed information on the potential spin-off listing, as and when appropriate.

The Company currently intends to rely on the share issue mandate approved by shareholders of the Company at its annual general meeting ("**AGM**") of the Company held on 25 April 2017 or if applicable, the AGM in 2018, for the issuance of Shares. As at the date of approval for the Share Issue Mandate, the Company's issued share capital comprised 13,166,385,035 ordinary shares ("**Shares**") and the Company did not have any treasury shares. As the number of Consideration Shares to be issued is 490,312,500 and given that no Shares have been issued pursuant to the Share Issue Mandate since the 2017 AGM, the Company will not be seeking specific approval from the Shareholders for the issuance of the Consideration Shares.

The Consideration Shares issued shall rank in all respects *pari passu* with the ordinary shares in the share capital of the Company existing as at the date of issue of the Consideration Shares, save that they shall not rank for any entitlements, distributions, dividends or rights (if any), the record date in respect of which falls on or prior to the date of issue of the Consideration Shares.

The Company will be making an application to the SGX-ST through its sponsor, PrimePartners Corporate Finance Pte. Ltd. for the listing and quotation of the Consideration Shares on the Catalist. The Company will make the relevant announcements upon receipt of the listing and quotation notice from the SGX-ST for the Consideration Shares.

5.3 Moratorium

The Consideration Shares shall be subject to a six (6) months moratorium from the date of the allotment and issuance and the Vendor undertakes (and undertakes to procure the same of the Vendor's Nominee, if applicable) not to sell, transfer or otherwise dispose any or all the Consideration Shares during the Moratorium.

5.4 Conditions Precedent

All Consideration Shares to be issued will be conditional upon the fulfillment of certain conditions precedent, which include but are not limited to:

- (a) satisfactory completion of accounting and tax, financial, commercial, regulatory and legal due diligence investigations of the Target Companies and the Target Subsidiaries (including its respective businesses and assets) based on the financial, accounting and legal records and documents as at 31 December 2017 (the "**Due Diligence**") by the Company;

- (b) any restrictions or prohibitions on the change in the shareholdings and/or the boards of directors of such Target Company or Target Subsidiary or any restrictions or prohibitions on the novation or assignment of any contracts (in particular, the power purchase agreements), written confirmation and/or consent for the same in a form acceptable to the Company has been obtained;
- (c) all permits, licences, authorisations, orders, grants, confirmations, permissions, registrations, certifications and other approvals necessary or desirable for or in respect of the proposed acquisition of each Target Company by the Company having been obtained;
- (d) the Target Companies and Target Subsidiaries having no liabilities or obligations (whether actual, contingent, deferred or potential) other than in the ordinary course of trade, save as disclosed by way of the Disclosure Letter, between 31 December 2017 and Completion Date;
- (e) no governmental or court act, decree or order of any applicable jurisdiction has been issued or enacted which in the Company's reasonable view may materially hinder, limit or restrict transfer of the Target Shares and the Target Subsidiary Business or the performance by the Vendor or the Company of their obligations under the SPA;
- (f) the Vendor has provided to the Company a certified true copy of the board resolutions of the Vendor confirming its entry into the performance of the SPA;
- (g) all requisite internal and third party approvals (including that of the SGX-ST or any other regulatory authority) being obtained by the Company and there being no prohibition or restriction faced by the Company for the transactions contemplated (including the issue, dealing in, listing and quotation of the Consideration Shares);
- (h) there not being at any time prior to Completion any restriction, limitation, prohibition or directive, whether written or verbal, from the SGX-ST limiting prohibiting the entry into or performance by the Company of its obligations under the SPA or any other relevant regulatory authorities; and
- (i) In respect of the Subsequent Tranches, the above conditions and the spin-off listing of the Target Companies.

5.5 COMPLETION

Subject to fulfilment to the satisfaction of the Company or waiver by the Company of the conditions precedent set out in the SPA, Completion shall take place on Completion Date at the Company's office at 15 Hoe Chiang Road Singapore 089316 or such other time and place as may be agreed between Vendor and the Company.

5.6 LONG-STOP DATE

The long-stop date for the Proposed Acquisition is six (6) months from the date of the SPA.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Group after completion of the Proposed Acquisition.

The financial effects have been prepared on a pro forma basis using the latest announced unaudited consolidated accounts of the Group for the financial year ended 31 December 2017 ("FY2017") and based on the unaudited consolidated accounts of the Target Companies and Target Subsidiaries for FY2017.

6.1 Net Tangible Assets

Assuming that the Proposed Acquisition had been completed on 31 December 2017 and based on the Company's audited consolidated financial statements for FY2017, the effects on the NTA per share of the Company are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA of the Group attributable to shareholders of the Company (US\$'000)	US\$53,314	US\$55,189
Number of Shares (in million)	13,166	13,657
NTA per Share (Cents)	0.004	0.004

6.2 Earnings Per Share

Assuming that the Proposed Acquisition had been completed on 31 December 2017, the effect of the Proposed Acquisition on the earnings per Share ("EPS") for FY2017, will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net loss profit attributable to shareholders of the Company for FY2017 (US\$'000)	(US\$31,358)	(US\$28,299)
Weighted average number of Shares (in million)	13,138	13,139
EPS (in US Cents)	(0.24)	(0.22)

7. RELATIVE FIGURES UNDER RULE 1006

Based on the Group's latest announced unaudited consolidated accounts as at 31 December 2017, the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 are as follows:-

Rules 1006	Target Companies	The Company	Relative Figures (%)
(a) The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	N.A	N.A	N.A.
(b) The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	USD 3,058,958	(USD 31,353,474)	-9.76%
(c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	USD 1,985,398	USD 52,665,540	3.77%

(d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	492,312,500	13,166,385,035	3.72%
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	N.A	N.A	N.A.

Notes:

- (1) The market capitalization is calculated based on multiplying 13,166,385,035 ordinary shares in issue by the volume weighted average price of S\$0.003 on 26 March 2018 (being the last full market day that the Company's shares had transacted, preceding the date of the signing of the Agreements), and based on the exchange rate of US\$1:S\$1.3075.
- (2) The consideration given is calculated based on multiplying 490,312,500 Consideration Shares to be issued in relation to the Proposed Acquisition by the net asset value per share of US\$0.004, based on the unaudited consolidated accounts for FY2017.

As the relative figures under Rules 1006(b), 1006(c) and 1006(d) of the Catalist Rules exceeds 5% but does not exceed 20%, the Proposed Acquisition constitutes a discloseable transaction. Accordingly, the Company is not required to obtain Shareholders' approval for the Proposed Acquisition.

The Board is of the view that the Proposed Acquisition is in the best interest of the Group and does not alter the risk profile of the Group.

8. FURTHER ANNOUNCEMENTS

The Company will release further announcements on any material developments in relation to the Proposed Acquisition.

9. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS OF THE COMPANY

None of the Directors or the substantial shareholders of the Company or their respective associates have any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholdings in the Company.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA is available for inspection during normal business hours from 9.00 am to 5.00 pm at the registered office of the Company at 15 Hoe Chiang Road #12-05 Tower Fifteen Singapore 089316 for a period of three (3) months from the date of this announcement.

12. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

13. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Acquisition is conditional upon, among others, the approval from the SGX-ST for the listing and quotation of the Consideration Shares and are therefore advised to exercise caution when dealing or trading in the Shares. Shareholders and potential investors should consult their stockbrokers, bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Lee Tiong Hock
Company Secretary
01 April 2018

This document has been prepared by the Company and reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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