

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

**RESPONSES TO QUERIES
BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
DATED 26 JUNE 2024**

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 its responses to the below queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in relation to the Company’s circular dated 13 June 2024 (the “**Circular**”).

Unless otherwise defined, capitalised terms used in this announcement has the meanings as ascribed to them in the Circular.

2 QUERIES BY THE SGX-ST

2.1 Question:

We refer to the Company’s announcements on 13 June 2024, titled “**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL OF THE COMPANY’S 80.0% EQUITY INTERESTS IN YICHANG SMARTPOWER GREEN ELECTRICITY CO., LTD. AS A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE CATALIST RULES**”.

In Section 5 Principal Terms of the Agreement,

- a) Under Payment Schedule, it states that the payment of the Purchase Consideration shall be paid in five (5) instalments within 24 months from the signing of the Agreement.
- b) Under Corporate Guarantee from the Purchaser, it states that the Purchaser acknowledges and agrees that it shall issue a corporate guarantee to the Company. Such guarantee shall be valid until the date on which the Purchaser fully pays the Equity Interest Purchase Consideration and the guaranteed amount is RMB20,000,000.
- c) Under Closing action items, it states that within three (3) Working Days of the First Transfer Price being remitted (i.e. the first instalment of Purchase Consideration), the Purchaser shall be registered as the shareholder with its subscribed capital of RMB60,000,000, accounting for 100.0% of the registered capital of Yichang; (iii) the registered legal representative shall be changed to the person appointed by the Purchaser; and (iv) the registered executive director, supervisor and senior management personnel shall be changed to the person appointed by the Purchaser.

Please address the following queries:

- 1: Please provide the rationale behind the payment structure of the Company receiving Purchase Consideration in 5 instalments over 24 months period, instead of getting lump sum payment of Purchase Consideration from the Purchaser. Please elaborate on the Board’s considerations and how such payment structure is in the interest of the Company and its shareholders.

Company's Response:

The instalments payment is a proposal put forth by the Purchaser and in the acceptance of the proposed payment structure in instalments, the Company had considered the:

- a. objectives of the Company's restructuring plan; and.
- b. cash flow requirements of the Yichang project.

The Restructuring Plan

Since the suspension of trading of the Shares on a voluntary basis on 4 February 2019 and subsequent suspension of trading of the Shares under Catalist Rule 1303(3)(c) due to uncertainties as to the Company's ability to continue as a going concern, the Company has been actively taking steps to restructure its debts as well as to divest its existing assets which include a divestment of the Equity Interest. The divestment of Equity Interest, if completed, will enable the Company's Corporate Guarantee issued by the Company to the Huaneng Tiancheng to be released.

Over the past four (4) years, the Company has taken efforts to source for a buyer for the Equity Interest. Due to the delayed receipt of the national subsidy from the PRC government, coupled with the weak economic outlook of the PRC, the Company has not been able to make significant progress with potential buyers to divest the Equity Interest despite all the efforts made. The Company had eventually managed to source for the Purchaser who is the only buyer keen to purchase the Equity Interest.

Notwithstanding that the Purchase Consideration will be paid over 24 months, the Company's Corporate Guarantee issued to Huaneng Tiancheng will be released upon completion of the Proposed Disposal, enabling the Company to move forward with its restructuring plan.

If the Proposed Disposal is completed, the proceeds from the Proposed Disposal will then be applied entirely as set out in section 3.2 of the Circular, where it is stated that "85.0% of the net proceeds of the Proposed Disposal is to be distributed to certain Scheme Creditors and the remaining 15.0% of the net proceeds of the Proposed Disposal will be distributed to the REPS Holders".

Cash flow requirements of the Yichang Project

Due to the weak cash flow position of Yichang caused by the delay in the payment of the tariff subsidies by the relevant authorities in PRC to Yichang dating back to 2018, the Purchaser has been providing financial support to Yichang over the past six (6) financial quarters, which amounted to approximately RMB 8,800,000 as at 31 March 2024, to partially fulfill Yichang's obligations under the financing leasing contract dated September 2017 entered between Yichang and Huaneng Tiancheng (the "**Huaneng Tiancheng Financial Leasing Contract**").

As at 23 February 2024, Yichang has outstanding liabilities amounting to RMB 103.1 million owed to Huaneng Tiancheng pursuant to the Huaneng Tiancheng Financial Leasing Contract and the Company is bound by the Company's Corporate Guarantee issued by the Company in favour of Huaneng Tiancheng under the Huaneng Tiancheng Financial Leasing Contract.

In the event if Yichang does not receive further funding, Yichang will be in default of the Huaneng Tiancheng Financial Leasing Liabilities and Huaneng Tiancheng may call on the Company's Corporate Guarantee. As long as the Company is not released from the Company's Corporate Guarantee, a call on the Company's Corporate Guarantee will have a material adverse impact on the Company's current restructuring efforts and the Company may not be able to continue as a going concern. Without a discharge of the Company's Corporate Guarantee, this leaves a continued liability of the Company that remains unaddressed for the purposes of a viable resumption trading proposal.

Board's view

Taking into consideration the above, the Company had negotiated for the terms and conditions of the Agreement on an arm's length basis, with an emphasis on ensuring that the release of the Company's Corporate Guarantee as an utmost priority, given its restructuring plans.

Accordingly, pursuant to the negotiations with the Purchaser, it was agreed that the Proposed Disposal, if completed, will enable the release of the Company's Corporate Guarantee (and the pledge of the Equity Interest). The instalment payments were agreed with the Purchaser, noting (a) the Company's emphasis is on the release of the Company's Corporate Guarantee; (b) the Purchaser's request that the Purchase Consideration is paid over the 24 months period to allow for cash flow flexibility on their end, specifically given that the Purchaser will be taking on the financial liabilities of Yichang and repayment of the Huaneng Tiancheng Financial Leasing Liabilities fully. Shareholders are also to note that the Company had also agreed with the Purchaser for the bonus payment in the event that Yichang is relisted as a recipient of the national subsidy before the end of the Relevant Period.

Therefore, the Board is of the view that the terms and conditions of the Agreement (taken holistically and not just in relation to the payment structure) is in the interest of the Company and its shareholders, given the current circumstances and challenges that the Company is facing and that it is in the interest of the Company and its shareholders to expediently complete its restructuring plan so that (a) the Company can obtain the necessary approvals for its trading resumption; (b) resources can be conserved for the Company's operating requirements; and (c) upon completion of the restructuring plan (with the necessary approvals being obtained), the Shares will be able to resume trading and shareholders will be able to have the option to trade in the Shares again.

2: Please elaborate the due-diligence work performed by the Company and / or safeguards put in place to provide assurance on the Purchaser's ability to fulfill the corporate guarantee if required.

Company's Response:

As part of the financial due diligence work, the Company had obtained the financial statement of the Purchaser as at 31 December 2023 to review their financial strength and cashflow

position and had assessed the Purchaser's ability to meet the payment obligations towards the instalment payments and to fulfill the Purchaser's Corporate Guarantee.

The Company had also conducted legal searches on the Purchaser as well as its 2 key shareholders. Based on the due diligence and legal searches, the Company is not aware of any involvement of the Purchaser and its key 2 shareholders in any other legal matters such as any enforcement actions, penalties on administrative matters, engaging in serious illegality and dishonesty matters and any winding up or insolvency proceedings.

3: With reference to point c), the Purchaser would effectively be taking control and ownership of Yichang after payment of first instalment. Please explain the recourse and / or safeguards put in place in the event the Purchaser fails to make payment for the remaining Purchase Consideration.

Company's Response:

The Company takes into account the following:

- (a) the beneficiaries of the net proceeds from the Proposed Disposal are certain Scheme Creditors and the REPS Holders (collectively, the **"Net Proceeds Creditors"**) and that the Company or its shareholders will not be entitled to any proceeds from the Proposed Disposal;
- (b) the intention for the Company is to address its liabilities with the goal to resume trading and to no longer be involved in any of its divested assets (including Yichang, if the Proposed Disposal is completed) and therefore, with a focus on the core business of operating its remaining assets which requires its restructuring plan to be completed in order for it to be able to continue operating and to further bolster the Company's resumption of trading efforts; and
- (c) it was set out in the Circular that Purchaser acknowledges and agrees to issue a corporate guarantee to the Company (the **"Purchaser's Corporate Guarantee"**). Such Purchaser's Corporate Guarantee shall be valid until the date on which the Purchaser fully pays the Equity Interest Purchase Consideration and the guaranteed amount is RMB20,000,000.

In addition to point (a) above, the recovery and distribution of the Purchase Consideration from the Purchaser for the Net Proceeds Creditors is intended to be managed by independent service providers, with such arrangements to be agreed and approved by the Net Proceeds Creditors.

As mentioned in section 1.1 of the Circular, *"The Company will seek the relevant creditors' approval for certain supplementation to the Scheme of Arrangement arising from the terms of the Proposed Disposal, which is subject to sanction by the Court. The terms and conditions of the supplementation to the Scheme of Arrangement are being finalized. The Company will make further announcements to update Shareholders on the supplementation to the Scheme of Arrangement in due course"* and *"The Company will obtain the support of the REPS Holders for certain amendments to be made to the Deed arising from the terms of the Proposed Disposal. The Company will make further announcements to update Shareholders on the developments in due course"*.

The Company is in the midst of proposing these arrangements in relation to the net proceeds from the Proposed Disposal and these arrangements, when finalised, will be announced accordingly.

By Order of the Board
Charisma Energy Services Limited

Tan Ser Ko
Chief Executive Officer

27 June 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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