

CHARISMA ENERGY SERVICES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199706776D)



PROPOSED SUPPLEMENTARY SCHEME OF ARRANGEMENT

*Unless otherwise defined, capitalised terms used but not defined in this announcement shall have the meanings ascribed to them in the Supplementary Scheme Document dated 26 July 2024 (the “**Supplementary Scheme Document**”), which is separately attached to this announcement.*

1. INTRODUCTION

The board of directors (the “**Board**”) of Charisma Energy Services Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the (a) circular dated 13 June 2024 (the “**Circular**”) in relation to the disposal of the Company’s 80.0% equity interests (the “**Equity Interest**”) in Yichang Smartpower Green Electricity Co., Ltd (“**Yichang**”) (the “**Conditional Yichang Disposal**”); and (b) scheme of arrangement dated 12 April 2023 with certain of the Company’s unsecured creditors (the “**Scheme Creditors**”) in accordance with Section 210 of the Companies Act 1967 of Singapore (the “**Companies Act**”) to compromise certain of the Company’s debt with such settlement being a combination of cash and issue of new ordinary shares of the Company, which was sanctioned by the Court on 7 July 2023 (the “**April 2023 Scheme**”)¹.

2. BACKGROUND

- 2.1. As disclosed under section 3.2 of the Circular, 85.0% of the net proceeds of the Conditional Yichang Disposal is to be distributed to certain Scheme Creditors (being the Category A Participating Creditors under the April 2023 Scheme) and the remaining 15.0% of the net proceeds of the Conditional Yichang Disposal will be distributed to the REPS Holders². These arrangements in relation to the net proceeds from the Conditional Yichang Disposal (the “**Yichang Proceeds**”) were pursuant to the terms of the April 2023 Scheme³ and terms of the deed of settlement dated 6 June 2023⁴ among the Company, its wholly-owned subsidiary CES Hydro Power Group Pte. Ltd. (“**CESH**”) and the REPS Holders (the “**REPS Settlement Deed**”).
- 2.2. As disclosed under section 5 of the Circular, the Purchase Consideration is to be paid in five (5) instalments and any Bonus Payment arising from the relisting of Yichang as a recipient of the national subsidiary will be paid concurrently with the Final Installment of the Purchase Consideration, with the instalments occurring over a period of 20 months from the effective date⁵ of the equity transfer agreement dated 7 April 2024 entered between the Company, the Purchaser and Yichang in relation to the Conditional Yichang Disposal (the “**Agreement**”)⁶.
- 2.3. In light of the instalment payments under the Agreement and taking into consideration the plans of the Company to resume trading of its shares (the “**Shares**”) through its restructuring plans and capital injection as disclosed in previous announcements of the Company, a new structure (the “**New Structure**”) is proposed to be adopted for the distribution of the Yichang Receivables (as defined below):
 - (a) the Company will be assigning the Purchase Consideration (and any Bonus Payment under the Agreement) (collectively, the “**Yichang Receivables**”) to a wholly-owned subsidiary of the Company, CES Yichang Pte Ltd (“**CESY**”) on or prior to the Effective Date of the Agreement, where CESY will have the rights of the Company to the Yichang Receivables

¹ Please refer to the Company’s announcements dated 12 April 2023, 8 June 2023, 19 June 2023 and 7 July 2023 for further details relating to the April 2023 Scheme.

² Being Venstar Investments III Ltd (In Members’ Voluntary Liquidation) and Evia Growth Opportunities III Ltd (In Members’ Voluntary Liquidation).

³ Please refer to the Company’s announcement dated 12 April 2023 for the terms of the April 2023 Scheme.

⁴ Please refer to the Company’s announcement dated 9 June 2023 for details on the REPS Settlement Deed.

⁵ This refers to the date when the transfer of the Equity Interest under the Agreement is approved by the board of directors of the Purchaser, approved at the Company’s shareholders’ general meeting, and agreed to by the creditors of the Company, whichever is the latest.

⁶ Please refer to the Company’s announcement dated 19 April 2024 and the Circular for further details.

under the Agreement, and will handle the distribution of the Yichang Receivables (including in relation to the Yichang Proceeds to the Category A Participating Creditors and the REPS Holders) upon completion of the Conditional Yichang Disposal and fulfilment of the conditions under the April 2023 Scheme and the Supplementary Scheme (as defined below);

- (b) the Company will be procuring a confirmation from the Yichang Purchaser that the Company has fulfilled all obligations under the Agreement and has no further obligations, upon the completion of the Conditional Yichang Disposal; and
- (c) upon the fulfilment of the conditions under the April 2023 Scheme and the Supplementary Scheme, the Company will be transferring its 100% interest in CESY to an independent third party appointed by the managers of the April 2023 Scheme and the Supplementary Scheme.

3. PROPOSED “PRE-PACKAGED” SCHEME OF ARRANGEMENT

- 3.1. Further to the New Structure, amendments are thus required to the terms of the April 2023 Scheme in relation to the Category A Participating Creditors, and the Company is proposing to enter into a pre-packaged supplementary scheme of arrangement with CESY and the Category A Participating Creditors pursuant to Section 71 of the Insolvency, Restructuring and Dissolution Act 2018 of Singapore (the “**Supplementary Scheme**”) in respect of the new distribution arrangements for the 85.0% of the Yichang Proceeds.
- 3.2. The Supplementary Scheme Document, which comprises the [Explanatory Statement, the Supplementary Scheme of Arrangement and the Ballot Form], has been sent to the Category A Scheme Creditors by electronic means on 26 July 2024.

4. SALIENT TERMS OF THE SUPPLEMENTARY SCHEME

Please refer to the Supplementary Scheme Document for full details and terms of the Supplementary Scheme.

4.1. Rationale

Since the suspension of trading of the Company’s Shares on a voluntary basis on 4 February 2019 and subsequent suspension of trading of the Shares under Rule 1303(3)(c) of Section B: Rules of Catalist of the SGX-ST listing manual 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. 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 divest the Equity Interest despite all the efforts made (until the Conditional Yichang Disposal).

The Yichang Divestment, the discharge of the Huaneng Corporate Guarantee, and the discharge of the Scheme Debt are critical to the Company’s resumption of trading of the Shares on the SGX-ST (the “**Trading Resumption Proposal**”), which is a condition precedent to the April 2023 Scheme (see Clause 4.1.10 of the April 2023 Scheme), and the transaction with Yin Khing Investments Limited (the “**Subscriber**”). Under the guidelines for submission of a resumption of trading proposal to SGX-ST for its review, requirements thereunder include the ability for the issuer (i.e. the Company) to operate as a going concern for at least the next 12 months following trading resumption. Without a discharge of the Huaneng Securities and if Yichang continues to be under “technical” default of the Huaneng Loan, Huaneng is able to call on the Huaneng Corporate Guarantee provided by the Company, which will result in a default by the Company. This leaves a continued liability of the Company that remains unaddressed for the purposes of a viable resumption trading proposal.

The Supplementary Scheme is proposed as part of the Company’s effort to implement the Conditional Yichang Disposal under the Agreement (which, together with supplemental corporate guarantee with Huaneng, will allow for the Yichang Divestment and the discharge of the Huaneng Securities) and to secure the discharge of the Scheme Debt from the Company by transferring the Company’s rights and liabilities for the Tranche 2 Distribution to the Category A Participating Creditors to CESY. In addressing the Company’s liabilities with the intent to resume its trading, the

purpose of the distribution of the Yichang Proceeds through CESY is to ensure that the Company is no longer involved in any of its divested assets (including the recovery and distribution of the Yichang Proceeds). This is in line with the Group's focus (upon resumption of trading and capital injection by the Subscriber) on the core business of operating its Remaining Assets.

To this end, the Agreement provides that the Company and the Purchaser shall coordinate with Huaneng Leasing to proceed with the discharge of all the security provided by the Company to Huaneng Leasing under the Huaneng Loan (i.e. the discharge of the Huaneng Securities), and the supplemental corporate guarantee with Huaneng provides for Huaneng's agreement to discharge the Company from the Huaneng Corporate Guarantee upon the transfer of Equity Interest to the Purchaser.

The approval of the Supplementary Scheme is a condition precedent to the Conditional Yichang Disposal under the Agreement (read with the intended Supplemental Agreement). The Conditional Yichang Disposal, if completed, will include the release of the Huaneng Corporate Guarantee. Without the Conditional Yichang Disposal, the Company continues to be bound by the Huaneng Corporate Guarantee and will not be able to resume trading.

Further, if the Conditional Yichang Disposal is unable to complete, it would mean that the Company remains subject to the Huaneng Corporate Guarantee. Due to the weak cashflow 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 Leasing (as amended and/or supplemented from time to time) (the "**Huaneng Leasing Financial Leasing Contract**"). As at 31 March 2024, Yichang has outstanding liabilities amounting to RMB 101.6 million owed to Huaneng Leasing pursuant to the Huaneng Leasing Financial Leasing Contract (the "Huaneng Leasing Financial Leasing Liabilities"). There is no certainty that the Purchaser would continue to provide financial support to Yichang. In the event the Purchaser decides to cease its financial support to Yichang, Yichang will be in "payment" default of the Huaneng Leasing Financial Leasing Liabilities and Huaneng Leasing may call on the Huaneng Corporate Guarantee. As long as the Company is not released from the Huaneng Corporate Guarantee, a call on this Guarantee will have a material adverse impact on the Company's current restructuring efforts.

Yet further, as mentioned at paragraph 3.4.17 of the Explanatory Statement to the April 2023 Scheme, there is no certainty of recovery from the Yichang Divestment or Yichang Loan, given the first priority charge held by Huaneng Leasing over the assets of Yichang. Without the Conditional Yichang Disposal, the Yichang Proceeds could be nil and the Company would remain subject to the Yichang Corporate Guarantee.

The Conditional Yichang Disposal by way of the Supplementary Scheme will thus allow the Category A Participating Creditors to achieve a better recovery than in a liquidation scenario. The estimated recovery to the Category A Participating Creditors in the event of the Company's liquidation is set out at Section 6 and paragraphs 6.1 to 6.3 of this Explanatory Statement.

4.2. **Supplementary Scheme Overview**

- (a) This Supplementary Scheme is to be read in conjunction with the April 2023 Scheme, which provides, *inter alia*, that:
 - (i) the Participating Creditors were separated into Category A (Creditors with unsecured Claims against the Company) and Category B (PERPS Holders) (at Clause 3.4 of the April 2023 Scheme);
 - (ii) there will be a distribution of cash to Category A Participating Creditors, envisaged to be carried out in two (2) tranches (at Clause 3.8 of the April 2023 Scheme);
 - (iii) 85% of the sale proceeds (net of expenses), if any, from the Yichang Divestment and Yichang Loan recovery (collectively, the "**Yichang Proceeds**") fall under the second tranche ("**Tranche 2 Distribution**"), which is to be distributed to the Category A Participating Creditors in accordance with their respective entitlements within 14

Business Days of the receipt of the Yichang Proceeds in Singapore by the Company (at Clauses 3.7.1, 3.8.2 and 3.9.1 of the April 2023 Scheme); and

- (iv) the Category A Participating Creditors shall accept the payments and benefits under the April 2023 Scheme given to them in full satisfaction and complete discharge of all Claims and all interest, costs, charges, fees and expenses incurred in connection therewith following the Scheme Effective Date (defined at Clause 1.6 as the date on which the April 2023 Scheme is to be implemented following the fulfilment of the Conditions Precedent in the April 2023 Scheme or the date of completion of the last Conditions Precedent) (at Clause 3.10.1 of the April 2023 Scheme).
- (b) The Supplementary Scheme modifies the terms of the April 2023 Scheme in that, *inter alia*:
 - (i) 85% of the Yichang Proceeds shall be distributed to the Category A Participating Creditors through the special purpose vehicle, CESY in five (5) tranches over the course of a 20-month period from the Effective Date of the Agreement; and
 - (ii) the Claims of Category A Participating Creditors shall be satisfied and discharged upon the full payment of Tranche 1 Distribution (as defined at Clause 3.8.1 of the April 2023 Scheme) and the issuance of the Scheme Shares by the Company to the Category A Participating Creditors, which will precede distribution of the 85% of the Yichang Proceeds under the Tranche 2 Distribution.
- (c) As a modification to the April 2023 Scheme, the Supplementary Scheme shall apply to all Category A Participating Creditors bound by the April 2023 Scheme.
- (d) For the avoidance of doubt, the Supplementary Scheme does not include, and does not affect, the Category B Participating Creditors who, under the April 2023 Scheme, shall accept the Scheme Shares given to them in full satisfaction and complete discharge of all Claims and all interest, costs, charges, fees and expenses incurred in connection therewith following the Scheme Effective Date (at Clause 3.10.1).

5. KEY DATES AND INDICATIVE TIMELINE FOR THE SUPPLEMENTARY SCHEME

Key Event	Timeline
Issue of Supplementary Scheme Document	26 July 2024
Deadline for submission of Ballot Forms	12 August 2024 not later than 4:00 p.m.
Announcement of the outcome of the Vote Solicitation	16 August 2024
Application to Court for approval of the Supplementary Scheme	To be announced
Court hearing for approval of the Supplementary Scheme	To be announced
Effective Date of the Supplementary Scheme	To be announced The effective date of the Supplementary Scheme shall be the effective date of the April 2023 Scheme on which the last condition precedent of the April 2023 Scheme is satisfied.

6. SCHEME MANAGER

Lin Yueh Hung and Yap Hui Li of RSM Corporate Advisory Pte. Ltd., who are the appointed Scheme Managers of the April 2023 Scheme, shall also be appointed the Scheme Managers of the Supplementary Scheme with the duties set out in Clause 10 of the April 2023 Scheme on and from the date on which the Supplementary Scheme becomes binding and effective in accordance with the Companies Act until the termination of the Supplementary Scheme pursuant to Clause 6 of the Supplementary Scheme of Arrangement.

7. FURTHER ANNOUNCEMENTS

- 7.1. The Company will also enter into an amended and restated deed of settlement with CESH, CESY and the REPS Holders to amend and restate the REPS Settlement Deed to provide for the new distribution arrangements for the remaining 15.0% of the Yichang Proceeds, by mid-August 2024.
- 7.2. The Company will keep the shareholders updated on the status of any material developments regarding the Supplementary Scheme and the Amended and Restated REPS Settlement Deed in due course.

8. CAUTIONARY STATEMENT

Although the shares of the Company are under suspension, shareholders, securityholders and investors are advised to read this announcement and any past and future announcements by the Company carefully when dealing with the shares and securities of the Company. Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their shares or securities of the Company.

By Order of the Board

Tan Ser Ko
Chief Executive Officer
28 July 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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