

# CHARISMA ENERGY SERVICES LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 199706776D)

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## PROPOSED ISSUANCE OF US\$7,299,270 REDEEMABLE EXCHANGEABLE PREFERENCE SHARES IN CES HYDRO POWER GROUP PTE. LTD.

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### 1. INTRODUCTION

The board of directors (the “**Directors**” or the “**Board**”) of Charisma Energy Services Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that it has, together with its wholly-owned subsidiary, CES Hydro Power Group Pte. Ltd. (“**CES HPG**”), entered into a letter of agreement dated 27 July 2015 (the “**Letter Agreement**”) with (1) Venstar Investment III Ltd; and (2) Evia Growth Opportunities III Ltd, in relation to the proposed issue by CES HPG of 7,299,270 non-voting, redeemable and exchangeable preference shares (the “**Preference Shares**”) to (1) Venstar Investment III Ltd; and (2) Evia Growth Opportunities III Ltd (together, the “**Investors**”) (the “**CES HPG Proposed Transaction**”).

The rationale for issuing the Preference Shares to the Investors is to allow the Group to raise gross proceeds of US\$7,299,270 (equivalent to approximately S\$10 million based on the agreed exchange rate of US\$1 : S\$1.37), which will be used to finance the capital expenditure for plant and equipment by the Group in relation to its oil and gas or renewable energy assets, and for working capital.

### 2. PRINCIPAL TERMS OF THE CES HPG PROPOSED TRANSACTION

Pursuant to the Letter Agreement, the Company, CES HPG, Venstar Investment III Ltd and Evia Growth Opportunities III Ltd (collectively, the “**Parties**”) have agreed that the issue of the Preference Shares shall be on, *inter alia*, the following terms:

<b>Issue Price</b>	The issue price per Preference Share is US\$1.									
<b>Gross Proceeds to be Raised</b>	US\$7,299,270 which shall be raised from the issue of Preference Shares to the Investors and/or such entities as may be nominated by them and approved by the Company as follows: <table border="1"><thead><tr><th><b>Investor</b></th><th><b>Number of Preference Shares</b></th><th><b>Amount to be Raised</b></th></tr></thead><tbody><tr><td>Venstar Investment III Ltd</td><td>4,379,562</td><td>US\$4,379,562</td></tr><tr><td>Evia Growth Opportunities III Ltd</td><td>2,919,708</td><td>US\$2,919,708</td></tr></tbody></table>	<b>Investor</b>	<b>Number of Preference Shares</b>	<b>Amount to be Raised</b>	Venstar Investment III Ltd	4,379,562	US\$4,379,562	Evia Growth Opportunities III Ltd	2,919,708	US\$2,919,708
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Venstar Investment III Ltd	4,379,562	US\$4,379,562								
Evia Growth Opportunities III Ltd	2,919,708	US\$2,919,708								
<b>Structure</b>	Holder of the Preference Shares (the “ <b>Holders</b> ”) shall have the right to exchange (“ <b>Exchange Option</b> ”):  (a) 50% of their holdings of Preference Shares into ordinary shares of the Company (the “ <b>Exchange Shares</b> ”) at the Exchange Price (as defined below) at any time starting from the first anniversary of the Issue Date (as defined below) and up to one (1) business day before the Maturity Date (as defined below); and									

	<p>(b) the remaining 50% of their holdings of Preference Shares into Exchange Shares at any time starting from the second anniversary of the Issue Date (as defined below) and up to one (1) business day before the Maturity Date (as defined below),</p> <p>provided that such exchange of Preference Shares into Exchange Shares shall be subject to the approval-in-principle for the listing and quotation of such Exchange Shares on the Catalist Board of the Singapore Exchange Securities Trading Limited (the “<b>SGX-ST</b>”), which the application made by the Company to the SGX-ST through its sponsor shall take place no later than seven (7) business days from the date of signing of the Preference Shares subscription agreement (the “<b>Subscription Agreement</b>”).</p>
<b>Distribution Preference</b>	<p>Save as otherwise provided herein under the clause entitled “Distribution Deferral”, and subject to the Companies Act (Chapter 50) of Singapore, the Preference Shares shall be entitled to an annual cumulative dividend equal to 5% of the Issue Price (the “<b>Distribution Preference</b>”) in respect of the outstanding Preference Shares on each anniversary of the Issue Date (as defined below), with such Distribution Preference payable no later than five (5) business days after each such anniversary of the Issue Date (as defined below) (“<b>Distribution Payment Date</b>”).</p>
<b>Distribution Deferral</b>	<p>CES HPG may, as its sole discretion, elect to defer (in whole or in part) the payment of any Distribution Preference, which is otherwise scheduled to be paid on a Distribution Payment Date, to a date no later than the Final Payment Date (as defined below), by giving notice to the Holders not less than two (2) business days prior to a scheduled Distribution Payment date.</p> <p>CES HPG shall have no obligation to pay any dividend on any Distribution Payment Date if it validly elects not to do so in accordance to this clause.</p> <p>For the purpose of this clause, the “<b>Final Payment Date</b>” is defined as the date on which the Company pays a discretionary dividend, distribution or other payment (other than in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants) for the financial year in which the relevant Distribution Payment Date falls within.</p>
<b>Maturity Date</b>	<p>The “<b>Maturity Date</b>” is defined as the date falling on the third anniversary of the date on which the Preference Shares are issued (such date of issue, the “<b>Issue Date</b>”).</p>
<b>Redemption at Maturity</b>	<p>Within five (5) business days immediately after the Maturity Date, CES HPG shall have the option to redeem (upon which the Company shall guarantee the repayment if CES HPG chooses to exercise the above said option) any amount of the outstanding Preference Shares not exchanged by the Holders as at the Maturity Date, at a redemption price per Preference Share equal to 1.2625 times of the Issue Price in cash.</p> <p>In the event that CES HPG does not exercise the aforementioned redemption option, all outstanding Preference Shares as at the</p>

	<p>Maturity Date shall be automatically exchanged ten (10) business days after the Maturity Date for Exchange Shares at the Exchange Price (as defined below). For the avoidance of doubt, the Holders shall be entitled to Distribution Preference on the outstanding Preference Shares as at the Maturity date.</p>
<b>Exchange Price</b>	<p>The “<b>Exchange Price</b>” is US\$0.01394, which is equivalent to S\$0.0191, the volume weighted average price of shares of the Company in respect of trades done on the SGX-ST on 27 July 2015, being the full market day on which the Letter Agreement was signed.</p>
<b>Exchange Ratio</b>	<p>Upon exchange, each Preference Share can be exchanged into certain number of Exchange Shares using the following formula in USD:</p> $\text{Number of Exchange Shares} = \frac{\text{Issue Price}}{\text{Exchange Price}}$
<b>Adjustments to Exchange Price</b>	<p>Save as otherwise provided herein, the Exchange Price shall be subject to customary adjustments in the event of: (a) subdivision, consolidation or reclassification of shares; (b) distribution of share dividends or otherwise which is of capital in nature or (c) grant, issue or offer to existing shareholders of the Company on a pro-rata basis any rights, options, or warrants entitling them to subscribe for or purchase the Company’s shares at a price that is lower than the Exchange Price.</p>
<b>Liquidation Events</b>	<p>The following shall be considered a “<b>Liquidation Event</b>”: save for any dilution of shareholding due to the exercise of the Exchange Options, Ezion Holdings Limited holding less than 25% of the Company’s shares.</p> <p>Upon the occurrence of the aforementioned Liquidation Event, the Company shall redeem (“<b>Liquidation Event Redemption</b>”) such number of outstanding Preference Shares at a redemption price per Preference Share equal to 1.4125 times of the Issue Price minus the Distribution Preference received by the Holders.</p>
<b>Security</b>	<p>The Investors shall have a fixed charge over twelve (12) sets of mini hydropower equipment in South Asia with a total capacity of 42 megawatts (the “<b>Equipment</b>”) owned by CES Hydro (SL) Limited (Company Registration No.: LL10543), a company incorporated in Labuan (“<b>CES Hydro</b>”) and a wholly-owned subsidiary of the Company. The Equipment is presently leased to nine (9) power generation companies selling electricity to a national utility board in South Asia under power purchasing agreements.</p> <p>The aforementioned charge will be the second fixed charge over CES Hydro’s Equipment, which is subordinated to a first fixed charge over the Equipment in favour of certain banks which had provided financing facilities to the Group (the “<b>Facilities</b>”). In the event that the monies raised from the CES HPG Proposed Transaction are used to retire all outstanding Facilities, and the first fixed charge in favour of the financing banks is discharged, the Investors shall then be given a first fixed charge over the Equipment.</p> <p>The Company shall have the option to sell part or all of the</p>

	Equipment to one or more third party buyers (the “ <b>Disposal</b> ”). In the event of a Disposal, the Company shall provide such other assets as may be acceptable to the Investors as security, and the ratio of the value thereof to the aggregate Issue Price of the then outstanding Preference Shares shall not be less than that immediately after the Disposal.
<b>Conditions Precedent</b>	The completion of the CES HPG Proposed Transaction shall be subject to, <i>inter alia</i> , the following: <ul style="list-style-type: none"> <li>a) signing of the Preference Shares subscription agreement and other ancillary agreements (each of which will contain no additional material terms not set out in the Letter Agreement (save for representations and warranties by the Company relating to the absence of litigation, title to shares in CES HPG and financial statements) with the Investors; and</li> <li>b) completion of the necessary documentation for the creation of a second fixed charge over CES Hydro’s Equipment.</li> </ul>
<b>Completion</b>	The anticipated completion date for the CES HPG Proposed Transaction is expected to be in August 2015.

### 3. THE INVESTORS

Information on the Investors is set out below:

Evia Growth Opportunities III Ltd is a private equity investment company incorporated in Singapore and is managed by Evia Capital Partners Pte Ltd on a full discretionary basis. The shareholders of this company comprise mainly local and foreign high net worth individual investors and corporate investors.

Venstar Investments III Ltd is a Singapore-incorporated private equity fund managed by Venstar Capital Management Pte Ltd. Venstar Investments III Ltd seek medium to long term private equity investments in the Asia-Pacific region, with a focus on Southeast Asia and North Asia.

The Investors were referred by Sunesis Holdings Pte. Ltd..

None of the Investors are restricted persons under Rule 812 of the Catalist Rules. Each of the Investor is not acting in concert with any other Investor or shareholders of the Company.

There is also no connection (including business relationship) between the Company’s directors or substantial shareholders and any of the Investors or their directors or substantial shareholders.

The Investors intend to invest in the Group via the Preference Shares in view of the Group’s current business and future developments.

### 4. THE EXCHANGE SHARES

The Company will be obliged to issue a maximum number of 523,620,516 Exchange Shares in the event that CES HPG issues 7,299,270 Preference Shares, and all of which are exchanged into Exchange Shares (the “**Maximum Exchange Scenario**”).

The Exchange Shares, when issued by the Company, will rank *pari passu* in all respects with and carry all rights similar to the then existing ordinary shares of the Company, save that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls on or before the relevant date of issue of such Exchange Shares.

The Company will make the necessary announcement for any adjustment to the Exchange Price pursuant to the terms of the Preference Shares, and on the maturity of the Preference Shares at least one (1) month before the maturity date. Any material alteration to the terms of the Preference Shares after issue to the advantage of the Investors will be approved by shareholders of the Company, except where the alterations are made pursuant to the terms of the Preference Shares.

## 5. AUTHORITY TO ISSUE EXCHANGE SHARES

The authority to issue the Exchange Shares (upon exchange of the Preference Shares) was obtained pursuant to a general mandate (the “**General Mandate**”) approved by the shareholders of the Company by way of an ordinary resolution at the annual general meeting of the Company held on 21 April 2015 (the “**AGM**”). The General Mandate authorises the Directors to allot and issue new shares not exceeding 100% of the total number of issued shares (excluding Treasury shares) as at the date of the AGM, of which the aggregate number of shares to be issued other than on a pro-rate basis to the existing shareholders shall not exceed 50% of the Company’s total number of issued shares (excluding treasury shares).

As at the date of the AGM, the issued and paid-up share capital of the Company (excluding treasury shares) (the “**Share Capital**”) comprised 10,351,365,710 shares. According to the terms of the general mandate, the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders shall not exceed 5,175,682,855 Shares, being 50% of such Share Capital.

The Company does not expect any change in control arising from the issue of Exchange Shares upon the exchange of the Preference Shares.

## 6. NO PROSPECTUS OR OFFER INFORMATION STATEMENT

The CES HPG Proposed Transaction will be undertaken pursuant to a private placement exemption under Section 272B of the Securities and Futures Act (Chapter 289) of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the CES HPG Proposed Transaction.

## 7. USE OF PROCEEDS

The estimated net proceeds from CES HPG Proposed Transaction, after deducting estimated expenses pertaining to the CES HPG Proposed Transaction, would be approximately US\$7,043,000 (the “**Net Proceeds**”). The Group, after taking into account its working capital position, intends to apply the Net Proceeds as follows:

<b>Use of Net Proceeds</b>	<b>Amount (US\$'000)</b>	<b>Percentage of Net Proceeds</b>
1) Capital expenditure for plant and equipment in relation to the Group’s oil and gas or renewable energy assets	5,634	80%
2) General working capital purpose	1,409	20%
Total	<b>7,043</b>	<b>100%</b>

Pending utilisation of the Net Proceeds for the above purposes, the Group may deploy the Net Proceeds for working capital purposes of the Group and/or placement in deposits and/or short term investments.

The Company will make periodic announcements on the utilisation of the Net Proceeds from the CES HPG Proposed Transaction as and when such funds are materially disbursed, and provide a status report on the use of the Net Proceeds from the CES HPG Proposed Transaction in the Company's half and full year financial statements issued under Rule 705 of the Catalist Rules and annual report. Where the Net Proceeds have been used for working capital purposes, the Company will disclose a breakdown with specific details on how the Net Proceeds have been applied in the announcements and status reports. Where there is any material deviation from the stated use of Net Proceeds, the Company will announce the reasons for such deviation.

The Net Proceeds will be mainly used to finance the capital expenditure for plant and equipment by the Group in relation to its oil and gas or renewable energy assets. The Directors are of the opinion that, after taking into consideration its present bank facilities and Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

## 8. FINANCIAL EFFECTS

Under the Maximum Exchange Scenario, the 523,620,516 Exchange Shares to be issued by the Company will increase its existing Share Capital from 10,611,365,710 shares to 11,134,986,226 shares. The 523,620,516 Exchange Shares represents approximately 4.9% of the existing Share Capital and 4.7% of the enlarged Share Capital. Assuming full conversion of 3,387,068,000 outstanding convertibles existing as at the date of this announcement, the Exchange Share will represent 3.6% of the enlarged Share Capital with full conversion of all outstanding convertibles.

Based on the latest audited financial results announcement of the Group for the financial year ended 31 December 2014, and assuming that the Group raises net proceeds of approximately US\$7,299,270 from the issue of 7,299,270 Preference Shares, which are then exchanged into 523,620,516 Exchange Shares under the Maximum Exchange Scenario, the effect on the Group's net tangible assets ("**NTA**") per share and earnings per share ("**EPS**") will be as follows:

### 8.1. Net Tangible Assets per Share

Assuming that the Preference Shares had been exchanged into Exchange Shares under the Maximum Exchange Scenario as at 31 December 2014, the effects of the Group's NTA per share would be as follows:

	Before Issue of Preference Shares	After Issue of Preference Shares	After Exchange into Exchange Shares
NTA (US\$'000)	59,819	66,863	66,863
Number of shares (millions)	10,306	10,306	10,830
<b>NTA per share (US cents)</b>	0.58	0.65	0.62

### 8.2. Earnings per Share

Assuming that the Preference Shares had been exchanged into Exchange Shares under the Maximum Exchange Scenario as at 1 January 2015, the effects of the Group's EPS per share would be as follows:

	<b>Before Issue of Preference Shares</b>	<b>After Issue of Preference Shares</b>	<b>After Exchange into Exchange Shares</b>
Profit After Tax and Minority Interest (US\$'000)	9,675	9,675	9,675
Weighted Average Number of shares (million)	9,705	9,705	10,229
<b>EPS (US Cents)</b>	0.10	0.10	0.09

The foregoing pro forma financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Group upon the issue of the Preference Shares and the exchange into Exchange Shares.

## **9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the above transactions, other than their respective shareholdings in the Company.

## **10. DOCUMENT AVAILABLE FOR INSPECTION**

The Letter Agreement 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.

## **11. LISTING AND QUOTATION OF EXCHANGE SHARES**

The Company will apply to the SGX-ST through its sponsor for the admission to and listing and quotation of the Exchange Shares on the Catalist Board of the SGX-ST, and the Subscription Agreement in relation to the issue of the Preference Shares will be prepared in due course. The Company will make the necessary announcements upon receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Exchange Shares and upon entering into the Subscription Agreement with the Investors.

## **12. DIRECTORS' 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 CES HPG Proposed Transaction, 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.

## **13. TRADING CAUTION**

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of

the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD  
**CHARISMA ENERGY SERVICES LIMITED**

Lim Ka Bee  
Company Secretary  
28 July 2015

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. 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.*

*The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.*