

CITAGLOBAL BERHAD (FORMERLY KNOWN AS WZ SATU BERHAD) ("CITAGLOBAL" OR "THE COMPANY")

- **SETTLEMENT AGREEMENT BETWEEN THE COMPANY, SPRING ENERGY SDN. BHD. AND SE SATU SDN. BHD., AN ASSOCIATE COMPANY OF CITAGLOBAL AND SALE AND PURCHASE AGREEMENT BETWEEN SINERGI DAYANG SDN. BHD., AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF CITAGLOBAL AND SE SATU SDN. BHD.**
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1. INTRODUCTION

The Board of Directors of CITAGLOBAL wishes to announce that the Company and Sinergi Dayang Sdn. Bhd. ("**Sinergi Dayang**"), an indirect wholly-owned subsidiary of the Company had on 22 December 2022 entered into the following agreements:

- (a) a settlement agreement between CITAGLOBAL, SE Satu Sdn. Bhd. ("**SE SATU**"), and Spring Energy Sdn. Bhd. ("**SESB**") ("**Settlement Agreement**") to allow CITAGLOBAL to exit its investments in SE SATU by disposing of 3,470,000 ordinary shares, representing 49% of the issued shares capital of SE SATU to SESB and SESB to acquire full control of SE SATU from CITAGLOBAL pursuant to CITAGLOBAL's exit from its investments in SE SATU by way of conveying ownership of CITAGLOBAL's shareholding to SESB with a disposal consideration of RM4,796,204.97 ("**Proposed Disposal**"); and
- (b) a sale and purchase agreement between Sinergi Dayang ("**Purchaser**") and SE SATU ("**Vendor**") ("**SPA**") for Vendor to sell and the Purchaser to purchase all that parcel of freehold agricultural land held under individual title H.S.(D) 7625, PT 3521, Tempat Sungai Karang, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang Darul Makmur ("**Sg. Karang Land**" or "**the Land**") for a total consideration of RM10,081,822.50 ("**Proposed Acquisition of Land**").

(Collectively, the Settlement Agreement and SPA are referred to as "**Agreements**" and the Proposed Disposal and Proposed Acquisition of Land are referred to as "**Proposals**").

2. INFORMATION ON PARTIES

2.1 Information on SE SATU

SE SATU was incorporated in Malaysia on 16 August 2013 as a private limited company with its registered office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan. SE SATU is a 49%-owned associated company of CITAGLOBAL and its principal activity is business of bauxite mining operations and activities and of a contractor in civil engineering works.

SE SATU has a total issued share capital of RM7,081,633 divided into 7,081,633 ordinary shares. As at the date of this announcement, the Directors of SE SATU are YBhg. Dato' Yap Soon Huat, Mr. Yap Yee Huat, Encik Azlan Shah Bin Mohd Yusoh and Encik Ikhlas Bin Kamarudin and the details of the shareholders and shareholding of SE SATU are as follows:

Shareholder	Shareholdings (existing)	Shareholdings (after the Proposed Disposal)
Spring Energy Sdn. Bhd.	51%	100%
Citaglobal Berhad (formerly known as WZ Satu Berhad)	49%	-

2.2 Information on SESB

SESB was incorporated in Malaysia on 10 September 1997 as a private limited company with its registered office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan. The principal activity of SESB is quarry operator and contractor in civil engineering work.

SESB has a total issued share capital of RM22,200,000 divided into 22,200,000 ordinary shares. As at the date of this announcement, the Directors of SESB are YBhg. Dato' Mr. Yap Soon Huat, Mr. Yap Yee Huat, Mr. Yap Chai Huat and Mr. Yap Ho Huat. SESB is wholly-owned by Spring Energy Resources Berhad.

2.3 Information on Sinergi Dayang

Sinergi Dayang was incorporated in Malaysia on 1 December 2014 as a private limited company with its registered office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan. The principal activity of Sinergi Dayang is turnkey contractor and investment holding company.

Sinergi Dayang Sdn. Bhd. has a total issued share capital of RM49,264,000 divided into 49,264,000 ordinary shares. As at the date of this announcement, the Directors of Sinergi Dayang are YM Tengku Dato' Sri Uzir Bin Tengku Dato' Ubaidillah, YBhg. Jen Tan Sri Dato' Sri Zulkiple Bin Haji Kassim, Encik Azlan Shah Bin Mohd Yusoh and Encik Wan Shariman Bin Wan Mohamed. Sinergi Dayang is an indirect wholly-owned subsidiary of CITAGLOBAL.

3. INFORMATION ON THE LAND

The details on the Land are set out below:

Registered owner	: SE SATU
Title no.	: H.S.(D) 7625, PT 3521
Location	: Tempat Sungai Karang, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang Darul Makmur
Description	: All that parcel of freehold agricultural land held under Individual Title H.S.(D) 7625, PT 3521, Tempat Sungai Karang, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang Darul Makmur measuring approximately 31.313 Hectares in area.
Category of land use	: Agriculture
Express condition	: This land should be used for rubber crops only
Restriction in interest	: Not subject to any restriction in interest
Encumbrances	: Alliance Bank Berhad (88103-W) (" Chargee ") of 3 rd Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Wilayah Persekutuan Kuala Lumpur
Title land area	: Approximately 31.313 Hectares
Audited net book value of the Land as at 31 December 2021	: RM13,442,430.00
Original cost of investment in the Land and the date of investment	: RM13,442,430.00 (6 September 2017)

4. DETAILS OF THE PROPOSED DISPOSAL

4.1 Salient terms of the Settlement Agreement

- (a) Sinergi Dayang shall acquire the Sg. Karang Land from SE SATU at the value of RM10,081,822.50 ("**Land Acquisition Consideration**") only which shall be the value contained in the prospective sale and purchase agreement to be executed between Sinergi Dayang and SE SATU.
- (b) SESB shall acquire 3,470,000 (49%) ordinary shares in SE SATU from CITAGLOBAL at the value RM 4,796,204.97 ("**Disposal Consideration**").
- (c) The differential sum between the Land Acquisition Consideration and the Sg. Karang Land loan redemption value ("**Differential Sum**") shall be receivable by SE SATU and SE SATU shall upon receipt of the right to such funds, pay the Differential Sum to SESB in part settlement of SE SATU's owings to SESB.
- (d) SESB shall receive payments from SE SATU as part payment and settlement of SE SATU's owings to SESB.
- (e) In view of the terms and conditions contained in sections 4.1(c) and 4.1(d) above, payment of the Differential Sum shall, upon redemption of the Sg. Karang Land from the Chargee, be deemed paid by Sinergi Dayang to SE SATU, thereafter by SE SATU to SESB and subsequently by SESB to CITAGLOBAL as part of payment of the Disposal Consideration. Pursuant to the deemed payments herein stated, Sinergi Dayang shall pay the Differential Sum to CITAGLOBAL.
- (f) Upon the execution of the Settlement Agreement, SESB shall pay the difference between the Disposal Consideration and the Differential Sum ("**Share Settlement Sum**") by depositing twelve (12) post-dated cheques of equal value with CITAGLOBAL.
- (g) The Settlement Agreement shall be deemed completed upon occurrence of the following:
 - (aa) Successful update of Section 51 of the Companies Act 2016 reflecting the ordinary shares of SE SATU are fully owned by SESB;
 - (bb) Deposit of the twelve (12) post-dated cheques for the Share Settlement Sum with CITAGLOBAL;
 - (cc) Transmission of the duly executed share transfer form to SESB; and
 - (dd) Presentation of the memorandum of transfer in respect of the SPA at the land office / registry.
- (h) Any party shall have the right to unilaterally terminate the Settlement Agreement in advance by written notice delivered to the other party in the event any of the following occurs to the other party:
 - (aa) Such party breaches the Settlement Agreement and within 30 days since the written notice delivered by the non-defaulting party, such defaulting party fails to rectify its breach or takes adequate, effective and timely measures to eliminate the consequences of breach and compensate the non-defaulting party for the losses caused by the breach.
 - (bb) Such party is unable to continue to perform the Settlement Agreement.

The non-defaulting party shall be entitled to claim damages which it has suffered as a result of the breach and/or the non-performance of the defaulting party for all fees, costs and expenses arising from this transaction only.

4.2 Basis of arriving at the Disposal Consideration for the Proposed Disposal

The Disposal Consideration for the Proposed Disposal of RM4,796,204.97 was arrived at based on a "willing-buyer willing-seller" basis after arm's length negotiation after taking into consideration CITAGLOBAL's intention to realise and exit from its investment in SE SATU.

5. DETAILS OF THE PROPOSED ACQUISITION OF LAND

5.1 Salient terms of the SPA

- (a) Sinergi Dayang shall acquire the Sg. Karang Land from SE SATU at the value of RM10,081,822.50.
- (b) The transaction must be completed within three (3) months from 22 December 2022.
- (c) The loan redemption sum of RM6,008,644.08 ("Loan Redemption Sum") is to be paid by Sinergi Dayang to the Chargee.
- (d) Stamping cost to be borne by Sinergi Dayang.
- (e) Payments of the Differential Sum to be paid in accordance with the Settlement Agreement and the SPA shall be subject to the terms and conditions of the Settlement Agreement.

5.2 Basis of arriving at the Land Acquisition Consideration for the Proposed Acquisition of Land

The Land Acquisition Consideration for the Proposed Acquisition of Land of RM10,081,822.50 was arrived at based on a "willing-buyer willing-seller" basis after arm's length negotiation after taking into consideration the estimated market value of the surrounding land.

5.3 Source of funding

The Land Acquisition Consideration (comprising the Loan Redemption Sum and the Differential Sum) is to be satisfied entirely by cash, which will be funded vide internally generated funds of CITAGLOBAL and its subsidiaries (collectively, the "**Group**").

6. RATIONALE FOR THE PROPOSALS

The Proposals are the best possible arrangement for CITAGLOBAL to both realise and exit from its investment in SE SATU, in line with the Company's business strategy to focus its resources in the Group's operations in civil engineering and construction, oil and gas, power generation, property development, manufacturing and renewable energy.

7. RISKS FACTORS

The Company does not foresee any exceptional risk factors other than the normal operation risks associated with the Agreements and will take the necessary steps to mitigate these risk as and when it occurs.

8. EFFECTS OF THE PROPOSALS

8.1 Share capital and substantial shareholders' shareholding

The Proposals will not have any effect on the issued share capital and the substantial shareholders' shareholding of CITAGLOBAL as the Proposals does not involve the issuance of new ordinary shares of CITAGLOBAL ("**Shares**").

8.2 Net assets ("NA"), NA per Share and gearing

The Proposals are not expected to have any material effect on the NA, NA per Share and Gearing of the Group for the financial year ending 31 December 2022.

8.3 Earnings per Share ("EPS")

Based on the latest audited consolidated financial statements of CITAGLOBAL for the financial year ended 31 December 2021 ("**FY 2021**") and assuming that the Proposed Disposal had been effected on 31 December 2021, the Group is expected to realise a net gain on disposal of approximately RM2.01 million, which represents an EPS of approximately 0.3 sen, based on the weighted average number of 663,948,000 Shares.

Upon completion of the Proposed Disposal, SE SATU which incurred RM1.68 million loss to the Group in FY 2021, will cease to be equity accounted after the completion of the Proposed Disposal.

9. LIABILITIES TO BE ASSUMED

There are no liabilities, including contingent liabilities and guarantees to be assumed by the Group arising from the Proposals.

10. ADDITIONAL FINANCIAL COMMITMENTS

Save for the Land Acquisition Consideration, the Group does not expect to incur additional financial commitment arising from the Proposals.

11. PERCENTAGE RATIOS

The highest aggregate percentage ratio applicable to the Proposals is approximately 10.60% pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

12. APPROVAL REQUIRED

The Proposals are not subject to the approval of the shareholders of the Company and/or any other authorities.

The Proposed Disposal and the Proposed Acquisition of Land are inter-conditional.

13. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED TO THEM

None of the Directors and major shareholders of the Group and/or persons connected to them has any interest, whether direct or indirect, in the Proposals.

14. DIRECTOR'S STATEMENT

The Board having considered all aspects of the Proposals including, among others, the terms and conditions of the Agreements, the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Group.

15. ESTIMATION TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed within three (3) months from the date of this announcement.

16. DOCUMENTS FOR INSPECTION

The Agreements are available for inspection at the registered office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, during normal working hours from Monday to Friday (except Saturday, Sundays and Public Holidays) for a period of three (3) months from the date of this announcement.

This announcement is **22 December 2022**.