

## SKYWORLD DEVELOPMENT BERHAD (“SKYWORLD DEVELOPMENT” OR “COMPANY”)

### PROPOSED ACQUISITION OF APPROXIMATELY 1.3 ACRES LAND LOCATED AT WARD 16, DISTRICT 8, HO CHI MINH CITY, VIETNAM BY SKYWORLD DEVELOPMENT (VIETNAM) COMPANY LIMITED, A WHOLLY-OWNED SUBSIDIARY OF SKYWORLD DEVELOPMENT

---

*Unless otherwise stated and wherever applicable, the exchange rate of Vietnamese Dong (“VND”) 100.00: Ringgit Malaysia (“RM”) 0.0194, being the middle rate quoted by Bank Negara Malaysia (“BNM”) as at 6 September 2023 is used throughout this announcement.*

#### 1. INTRODUCTION

The Board of Directors of the Company (“**Board**”) wishes to announce that SkyWorld Development (Vietnam) Company Limited (“**SkyWorld Vietnam**”), a wholly-owned subsidiary of SkyWorld Development has on 7 September 2023, entered into a conditional shares sale and purchase agreement (“**SPA**”) with (i) Mr. Nguyen Son Hai Long; (ii) Ms. Nguyen Thuy Thoai Phuong; and (iii) Ms. Nguyen Thuy Diem Phuong (the individuals are collectively referred to as the “**Vendors**”); and (iv) Thuan Thanh Trading Production and Real Estate Trading Joint Stock Company (“**Project Company**”) for the acquisition of the entire fully paid-up 1,700,000 ordinary shares of VND100,000 each in the share capital of the Project Company for a total cash consideration of VND350,000,000,000 (equivalent to approximately RM67,900,000) (“**Purchase Consideration**”) only subject to the terms and conditions stated in the SPA (the “**Proposed Acquisition**”).

The Project Company is the sole and lawful user of a parcel of land located at Ward 16, District 8, Ho Chi Minh City, Vietnam (“**TT Land**”) and simultaneously, the Vendors are in the midst of procuring the transfer of land use rights for another 2 adjoining lands owned by several individuals (“**Private Lands**”) to the Project Company (details are set out in item 2.4 below) (collectively referred to as the “**Project Land**”). Upon completion of the Proposed Acquisition, SkyWorld Vietnam will have the lawful land use rights over the entire Project Land through the ownership of the Project Company.

The Project Company is currently carrying out relevant legal procedures to register and implement a project comprising 24-storey apartment building (“**Project**”) on the Project Land.

Details of the Proposed Acquisition are set out in the ensuing sections below.

#### 2. DETAILS OF THE PROPOSED ACQUISITION

##### 2.1 Proposed Acquisition

The Proposed Acquisition entails the acquisition by SkyWorld Vietnam of the Project Land through the acquisition of the fully paid-up existing ordinary shares of the Project Company from the Vendors at the Purchase Consideration which shall be satisfied wholly in cash.

Upon completion of the Proposed Acquisition, the Project Company will become an indirect wholly-owned subsidiary of SkyWorld Development.

##### 2.2 Information on SkyWorld Vietnam

SkyWorld Vietnam is a 100% foreign-invested company duly incorporated and operating in Vietnam under the Vietnamese Laws, having the Enterprise code No. 0315835115 issued by the Department of Planning and Investment of Ho Chi Minh City, Vietnam, initially registered on 6

August 2019. SkyWorld Vietnam is having its registered head office address at 5<sup>th</sup> Floor, IMC Building, 62 Tran Quang Khai Street, Tan Dinh Ward, District 1, Ho Chi Minh City, Vietnam. As at the date of the announcement, the total charter capital of SkyWorld Vietnam is VND238,000,000,000 (equivalent to approximately RM46,172,000).

### 2.3 Information on the Project Company

The Project Company is incorporated and operating in Vietnam under the Vietnamese Laws, having the Enterprise code No. 0302449345 issued by the Department of Planning and Investment of Ho Chi Minh City, Vietnam, initially registered on 11 October 2001. The Project Company is having its registered head office address at No. 9A An Duong Vuong Street, Ward 16, District 8, Ho Chi Minh City, Vietnam. As at the date of the announcement, the total registered charter capital of the Project Company is VND170,000,000,000 (equivalent to approximately RM32,980,000) comprising 1,700,000 ordinary shares (“Sale Shares”).

The Director of the Project Company is Ms. Nguyen Thuy Thoai Phuong. The shareholders of the Project Company and their respective shareholdings are as follows:-

Shareholders	No. of Shares Held	Total Par Value (VND)	% of Shareholdings
Nguyen Son Hai Long	1,020,000	102,000,000,000	60
Nguyen Thuy Thoai Phuong	510,000	51,000,000,000	30
Nguyen Thuy Diem Phuong	170,000	17,000,000,000	10
<b>Total</b>	<b>1,700,000</b>	<b>170,000,000,000</b>	<b>100</b>

The Project Company is principally involved in the business of manufacture of iron, steel and cast iron. The Project Company does not have any subsidiary or associated company.

### 2.4 Information on the Project Land

The details of the Project Land are as follows:-

(i) TT Land

Land area	2,060m <sup>2</sup>
Located at	Ward 16, District 8, Ho Chi Minh City, Vietnam
Land parcel no.	95 to 113
Map No.	13
Existing use	Vacant land
Land use	Urban residential purpose
Land tenure	Freehold
Encumbrances	Being mortgaged at LienVietPostBank – Ho Chi Minh City Branch under the Mortgage Agreement on the Land Using Right No. HDTC508202245 dated 5 August 2022

(ii) Private Lands which consist of:-

(a) 2 parcels owned by Mr. Nguyen Vinh Tam and Ms. Le Thi Hoang Dung

	Land parcel 1	Land parcel 2
Land area	1,026m <sup>2</sup>	64m <sup>2</sup>
Land parcel no.	1007	1008
Located at	Ward 16, District 8, Ho Chi Minh City, Vietnam	

Map No.	04
Land use	Pond
Land tenure	Until 25 October 2069
Encumbrances	Not applicable

(b) 3 parcels owned by Mr. Nguyen Son Hai Long

	Land parcel 1	Land parcel 2	Land parcel 3
Land area	850m <sup>2</sup>	447m <sup>2</sup>	183m <sup>2</sup>
Land parcel no.	1003	1004	1005
Located at	Ward 16, District 8, Ho Chi Minh City, Vietnam		
Map No.	04		
Land use	Pond		
Land tenure	Until 25 October 2069		
Encumbrances	Being mortgaged at VietinBank – Thu Thiem Branch under the Property Mortgage Agreement No. 282/2023/HDBD/NHCT903-VVN dated 12 July 2023.		

## 2.5 Information on the Project

Proposed development	24-storey apartment building – Residential area in Ward 16, District 8
Location	Ward 16, District 8, Ho Chi Minh City, Vietnam
Total land area	5,206.7m <sup>2</sup>
Population	1,200 people
Floor	24 floors
Maximum height	81 meters
Construction density	Maximum 40%
Plot ratio	Maximum 7.2 (for residential: 6.5; for service and commercial: 0.7)

## 2.6 Basis and justification in arriving at the Purchase Consideration

The Purchase Consideration of VND350,000,000,000 (equivalent to approximately RM67,900,000) was arrived at on a “willing-buyer willing-seller” basis, after taking into consideration, among others, the following:-

- (i) The prospect of the Project Land and the purchase consideration is acceptable based on the internal assessment, given the potential gross development value to be generated.
- (ii) The Project Company is the legal land user of the entire Project Land for the implementation of the Project.
- (iii) The Project Company has the full rights to legally implement the Project with the construction parameters and based on the designs and drawings provided by SkyWorld Vietnam on the Project Land in accordance with the provisions of the SPA and relevant regulations and laws.
- (iv) The Project Company has successfully obtained all the required licenses for the implementation of the Project on the Project Land with the construction parameters and based on the designs and drawings provided by SkyWorld Vietnam. This enables commencement of the Project within a year after the completion of Proposed Acquisition.

## 2.7 Mode of settlement

The Purchase Consideration shall be paid by SkyWorld Vietnam in favour of the Vendors in the following manner:-

- (i) A deposit of VND105,000,000,000 (equivalent to approximately RM20,370,000) (30% of the Purchase Consideration), to be paid according to the date notify in the payment notice issued by SkyWorld Vietnam to the Vendors within 3 business days upon the fulfillment of conditions precedent as set out in the SPA, where including but not limited to:
  - (a) SkyWorld Vietnam to receive a valid Bank Guarantee amounting to VND105,000,000,000 (equivalent to approximately RM20,370,000) to secure the payment/refund obligations of the deposit; and
  - (b) The Project Land is completely free from all tenants, occupants, squatters, and structures and the Project Company has no outstanding obligation (including financial obligations) towards any and all relevant tenants, occupants, squatters, and structures.

The conditions precedent of deposit shall be fulfilled within 30 business days from the SPA date and may be extended as agreed in writing between the parties.

- (ii) First instalment of VND105,000,000,000 (equivalent to approximately RM20,370,000) (30% of the Purchase Consideration), to be paid according to the date notify in the payment notice issued by SkyWorld Vietnam to the Vendors within 3 business days since the fulfillment of conditions precedent as set out in the SPA, where including but not limited to:
  - (a) Issuance of official decision from the competent authority permitting the execution of the Proposed Acquisition;
  - (b) The Project Company has been issued with use rights over the Private Lands under its name; and
  - (c) Vendors and the Project Company have completed the clearance and the compensation for all obstacles on the Project Access Road as well as the demolition of the wall (including the fence built thereon) that was built between the Project Access Road and Carina Condominium.

The conditions precedent of first instalment should be fulfilled within 4 months from the SPA date and may be extended to additional 2 months or another timeline as agreed in writing between the parties.

- (iii) Second instalment of VND140,000,000,000 (equivalent to approximately RM27,160,000) (40% of the Purchase Consideration), to be paid according to the date notify in the payment notice issued by SkyWorld Vietnam to the Vendors within 3 business days since the fulfillment of remaining conditions precedent as set out in the SPA, where including but not limited to:
  - (a) The Project Company has successfully obtained the Amended In-Principle Investment Approval and 1/500 Master Plan Approval for the Project in accordance with the Parameters and the design provided by SkyWorld Vietnam; and
  - (b) Vendors and the Project Company have completed the construction of the Project Access Roads to the Project Land in accordance with the laws.

The conditions precedent of second instalment should be fulfilled within 9 months from the date the payment of first instalment is made and may be extended to additional 3 months or another timeline as agreed in writing between the parties.

## **2.8 Source of funding**

The Proposed Acquisition and Project will be financed through a combination of internally generated funds, bank borrowings and/ or issuance of Islamic Commercial Papers and/ or Islamic Medium Term Notes.

The exact quantum funding mix will be determined later after taking into consideration of SkyWorld Development Group's gearing level, funding costs as well as internal cash requirements for its business operations.

## **2.9 Liabilities to be assumed**

Save for the obligation and liabilities arising from the SPA, there are no other liabilities including taxation liability, contingent liabilities and/or guarantees, to be assumed by SkyWorld Development arising from the Proposed Acquisition.

## **2.10 Additional financial commitments required**

SkyWorld Development does not expect to incur any additional financial commitment on SkyWorld Development Group's business on-stream as it is an on-going entity with business operations.

## **2.11 Salient terms of the SPA**

The salient terms of the SPA are set out below:-

- (i) The Project Company successfully acquires the lawful use rights of the entire Project Land for the implementation of the Project and the Project Company has the legal rights to implement the Project with the construction parameters and based on the designs and the drawings provided by SkyWorld Vietnam in accordance with the applicable laws.
- (ii) Except for the liabilities and responsibilities assumed in the SPA, SkyWorld Vietnam shall not inherit or shall not be liable for any and all obligations and liabilities of the Vendors and/or the Project Company to any third party that may arise out of or in relation to the Project Company, the Sale Shares, the Project Land, and/or the Project arising prior to or on the completion of the Proposed Acquisition. The Vendors agree and undertake unconditionally and irrevocably, at their own expenses, to be fully responsible to any third party for these obligations and liabilities.
- (iii) The transfer of Sale Shares shall be carried out in 2 tranches as follows:-
  - (a) First tranche: 90% of Sale Shares upon receiving the first instalment payment
  - (b) Second tranche: 10% of Sale Shares upon receiving the second instalment payment
- (iv) The transfer of Sale Shares must include (a) all rights, interests, and benefits attached to or arising out of the Sale Shares (whether at present or in the future) in accordance with the laws of Vietnam and completely free from any encumbrance; (b) the lawful land use rights over the entire Project Land through the Sale Shares' ownership in the Project Company;

and (c) the legal rights to implement the Project on the Project Land as the lawful owner of the Sale Shares.

### **3. RATIONALE AND PROSPECTS OF THE PROPOSED ACQUISITION**

The Proposed Acquisition is in line with SkyWorld Development's geographical expansion plan, by bringing its urban property development business model into Ho Chi Minh City, Vietnam.

Vietnam is one of the most rapidly growing economies in Southeast Asia. For 2023, Vietnam expects a 5.3% growth in GDP amidst weak global demand and expected to rebound to 6.2% by year 2024. Further, the State Bank of Vietnam has taken proactive measure by reducing interest rates by 4 times in first half 2023 to stabilize the market and spurs growth amidst the other countries in the world are still hiking up their interest rate. This continued effort by the State Bank of Vietnam will further incentivise the potential buyers to grab the opportunity to own their own home. Buoyed by these and other factors collectively present an appealing prospect for SkyWorld Development Group to venture into this thriving economic landscape.

The Project Land is located in District 8, Ho Chi Minh City, with an approximate distance of 12 km from the Central Business District ("CBD") in District 1 and well connected to one of the major arterial roads (Vo Van Kiet Street) linking the west of the city to the CBD. It is situated within an enclave of established low-rise and high-rise projects. This creates an opportunity for potential upgraders to elevate their living lifestyle with the low-density project meantime staying within the familiar vicinity and complements with an unobstructed canal-frontage view with pristine green area. Various local amenities such as schools, hospitals and commercial shops situated within a 3km radius from the Project Land. The Project target to be priced between VND50,000,000/m<sup>2</sup> to VND70,000,000/m<sup>2</sup> where believed will have a large captive market and achieve a favorable absorption rate. The estimated gross development value of the Project would be VND1,600,000,000,000 (equivalent to approximately RM310,400,000).

Based on the above, the Board is of the view that the Proposed Acquisition will contribute positively to the future earnings of SkyWorld Development Group.

### **4. RISKS OF THE PROPOSED ACQUISITION**

The key risks associated with the Proposed Acquisition are:-

#### **4.1 Non-completion risk**

The completion of the Proposed Acquisition is conditional upon the fulfilment of the conditions precedent as set out in the SPA. In the event the conditions precedent are not met, the SPA may be terminated and SkyWorld Vietnam will not be able to complete the Proposed Acquisition. However, SkyWorld Development will take all reasonable steps to ensure that the conditions precedent as set out in the SPA are fulfilled within the stipulated timeframe in order to complete the Proposed Acquisition.

#### **4.2 Business risk**

The Proposed Acquisition is subject to risk inherent in the property development business of which the SkyWorld Development Group is already involved in. Such risks may include sensitivity to economic and political conditions, financing risk, delay in commencement and completion, competition from other property developers, labour and material supply shortage, fluctuations in the prices of building materials and costs of labour charges. Any adverse change in such conditions may have an adverse material effect in SkyWorld Development. These risks are

addressed as part of the ordinary course of business and are not expected to represent new risks to the operations of SkyWorld Development.

#### **4.3 Interest rate and foreign exchange risk**

SkyWorld Development Group intends to finance the Proposed Acquisition and Project via internally generated funds and bank borrowings and/or issuance of Islamic Commercial Papers and/ or Islamic Medium Term notes. Interest rate exposure arises from the borrowings and deposits of SkyWorld Development Group. Fluctuation in interest rates could affect the interest charges incurred on the borrowings and hence affect the profitability of SkyWorld Development Group.

In addition, the Group would be exposed to fluctuations in the foreign exchange movements. To mitigate such risks, the Management regularly reviews its borrowing strategy to ensure that debt obligations are structured in a manner that balances interest rate and foreign exchange risk exposure with the Group's financial objectives.

#### **4.4. Risk of property overhang**

SkyWorld Development Group may face risk of property overhang, commonly caused by over-supply and low demand for properties and other factors such as economic downturns and unfavourable financial conditions. There may be possibility of occurrence of property overhang at the time of completion of the development of the Project in the future, of which is inevitable. This will affect the sale of the Group's properties and in turn affect its financial performance. As such, SkyWorld Development Group will closely monitor the developments in the property market as well as take careful management planning prior to finalisation and/ or launches of the development of the Project.

Save for the above, the Board does not foresee any specific risk/ risk factors arising from the Proposed Acquisition which could materially or adversely affect the financial and operating condition of the Company.

### **5. EFFECTS OF THE PROPOSED ACQUISITION**

#### **(i) Issued share capital and Substantial shareholders' shareholdings**

The Proposed Acquisition will not have any effect on the issued share capital of SkyWorld Development and the substantial shareholders' shareholdings as there is no issuance of new SkyWorld Development's shares.

#### **(ii) Net assets ("NA") and gearing**

The Proposed Acquisition is not expected to have a material impact on the NA of the SkyWorld Development Group for the financial year ending 31 March 2024.

The proforma effect on the gearing can only be determined upon finalisation of the funding mix for the Proposed Acquisition.

**(iii) Earning and earnings per share (“EPS”)**

The Proposed Acquisition is not expected to have any material effect on the earnings and EPS of SkyWorld Development Group for the financial year ending 31 March 2024. However, it is expected to contribute positively to the long-term future earnings and EPS of SkyWorld Development Group.

**6. APPROVALS REQUIRED**

The Proposed Acquisition is not subject to any approvals of the shareholders of SkyWorld Development and/or any other relevant government authorities and it is not conditional upon any other corporate exercise proposed or to be proposed by the Company.

**7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interest, either direct or indirect, in the Proposed Acquisition.

**8. DIRECTORS’ STATEMENT**

The Board, after having considered all aspects of the Proposed Acquisition, including the rationale, prospects, risk factors and financial effects, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

**9. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 11.13%, calculated based on the audited consolidated financial statements of SkyWorld Development for the financial year ended 31 March 2023.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by the fourth quarter of 2024.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

The SPA is available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during office hours from Monday to Friday (except public holidays) for a period of not less than 3 months from the date of this announcement.

This announcement is dated 7 September 2023.