

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

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OPERATIONS OF SKYWORLD DEVELOPMENT TO INCLUDE THE MANUFACTURING OF PREFABRICATED AND PREFINISHED MODULAR SYSTEMS (“PROPOSED DIVERSIFICATION”)

1. INTRODUCTION

On behalf of the Board of Directors of SkyWorld Development (“**Board**”), UOB Kay Hian Securities (M) Sdn Bhd (“**UOBKH**”) wishes to announce that SkyWorld Development proposes to diversify the existing business operations of SkyWorld Development and its subsidiaries (“**SkyWorld Development Group**” or the “**Group**”) to include the business of manufacturing of prefabricated and prefinished modular systems (“**Prefabricated Manufacturing Business**”). The Prefabricated Manufacturing Business is envisaged to be undertaken through a collaboration with Teambuild Holding (S) Pte Ltd (“**Teambuild**”), by leveraging on Teambuild’s expertise, skills, knowledge and technical know-how as a contractor with a strong track record in the use of prefabricated and prefinished volumetric construction (“**PPVC**”) technology. This collaboration will be undertaken through SkyWorld Development’s 70% owned subsidiary, Prefab Master Sdn Bhd (“**Prefab Master**”) based on the terms and conditions set out in the Shareholders’ Agreement (as defined in **Section 2.2** of this announcement) dated 20 January 2025 (“**Collaboration**”). Further details on the Collaboration are set out in **Section 2.2** of this announcement.

Given that the PPVC technology will be used to support the scale and volume of its development projects, the Board anticipates that the Prefabricated Manufacturing Business could potentially contribute 25% or more to the net profits of SkyWorld Development Group and/or result in a diversion of more than 25% to the net assets (“**NA**”) of SkyWorld Development Group in the future. Pursuant thereto, the Board proposes to seek the approval from the shareholders of SkyWorld Development for the Proposed Diversification pursuant to paragraph 10.13(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**MMLR**”) (“**Bursa Securities**”).

Further details on the Proposed Diversification are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

2.1 Background

As at 17 January 2025, being the latest practicable date of this announcement (“**LPD**”), SkyWorld Development Group has four (4) operating segments as follows:-

| Operating segments | Description |
|---|--|
| Property development (“ Property Development Business ”) | Comprising development of high-rise residential, commercial and affordable home |
| Property management, management services and investment holding | Supervision of third-party management company, provision of management services to the subsidiaries, and investment holding |
| Property investment | Comprising build-to-rent developments |
| E-commerce platform | Provision of connection services for SkyWorld homeowners with third party product and service providers such as interior design, renovations, furniture, home appliances, telecommunications subscription services, home movers and other services |

A summary of the Group's financial performance based on its audited consolidated financial statements for the past three (3) years up to the financial year ended ("FYE") 31 March 2024 is as follows:-

| Key financial performance | Audited FYE 31 March | | |
|---|----------------------|---------|---------|
| | 2022 | 2023 | 2024 |
| | RM'000 | RM'000 | RM'000 |
| Revenue ⁽¹⁾ | 790,437 | 841,411 | 688,038 |
| Profit before taxation ("PBT") | 150,018 | 204,784 | 159,934 |
| Profit after taxation attributable to the owners of the Company ("PAT") | 106,035 | 143,996 | 106,784 |

Note:-

- (1) A summary of SkyWorld Development Group's revenue based on its existing business divisions for the past three (3) financial years up to the FYE 31 March 2024 is set out as follows:-

| Business division | Audited FYE 31 March | | | | | |
|---|----------------------|---------------|----------------|---------------|----------------|---------------|
| | 2022 | | 2023 | | 2024 | |
| | RM'000 | % | RM'000 | % | RM'000 | % |
| Property development | 790,369 | 99.99 | 840,784 | 99.92 | 685,923 | 99.69 |
| Property management, management services and investment holding | 68 | 0.01 | 51 | 0.01 | 118 | 0.02 |
| Property investment | - | - | - | - | 1,239 | 0.18 |
| E-commerce platform | - | - | 576 | 0.07 | 758 | 0.11 |
| Total | 790,437 | 100.00 | 841,411 | 100.00 | 688,038 | 100.00 |

Based on the table above, the Group is highly dependent on the Property Development Business which was the main revenue contributor, whereby the percentage contribution of the Property Development Business remains at 99% and above for the past three (3) financial years.

Commentary on historical financial performance

(i) FYE 31 March 2022 ("FYE 2022")

The Group recorded a revenue of approximately RM790.4 million in the FYE 2022 as compared to a revenue of approximately RM488.8 million in the FYE 2021. The increase in revenue of approximately 61.7% was mainly attributable to the progressive revenue recognition from the on-going projects such as SkyMeridien Residences, SkySierra Residences (The Valley), SkyAwani IV Residences, and SkyAwani V Residences; the sales of two (2) on-going developments, SkyVogue Residences and EdgeWood Residences; and the sales of completed inventories, mainly commercial properties from SkyAwani Residences.

The Group registered a PAT of approximately RM106.0 million in the FYE 2022 as compared to a PAT of approximately RM59.5 million in the FYE 2021, which represents an increase of 78.2%. The increase in PAT was mainly due to higher gross profit resulted from increased in revenue.

(ii) FYE 31 March 2023 ("FYE 2023")

The Group recorded a revenue of approximately RM841.4 million in the FYE 2023, compared to a revenue of approximately RM790.4 million reported in the FYE 2022. The increase in revenue of approximately 6.5% was primarily attributed to the progressive revenue recognition from the on-going projects, namely SkySierra Residences (The Valley), EdgeWood Residences, SkyVogue Residences, SkyAwani III Residences, SkyAwani IV Residences and SkyAwani V Residences and the sales of completed inventories mainly from SkyMeridien Residences.

The Group registered a PAT of approximately RM144.0 million in the FYE 2023 as compared to a PAT of approximately RM106.0 million in the FYE 2022. The PAT growth of 35.9% was primarily contributed by the higher revenue recognition and improved gross profit margin attributed to savings in the construction and finance costs.

(iii) FYE 31 March 2024 (“FYE 2024”)

The Group recorded a revenue of approximately RM688.0 million in the FYE 2024 as compared to a revenue of approximately RM841.4 million in the FYE 2023. The 18.2% decrease in revenue was mainly attributable to the lower progressive revenue recognised from SkySierra Residences (The Valley), which was completed and delivered to its customers in the second quarter of FYE 2024.

The Group registered a PAT of approximately RM106.8 million in the FYE 2024, as compared to a PAT of approximately RM144.0 million in the previous financial year. The decrease in PAT of approximately 25.8% was mainly due to lower revenue, thereby recording a lower gross profit while operating expenses remained at the same level.

The Group's financial performance over the financial years under review had relied heavily on the Property Development Business. While the Group remains focused on enhancing the performance of its existing Property Development Business, the Group had also been actively seeking other strategic opportunities and/or business ventures that could enhance shareholders' value in the long run by expanding its revenue and earnings base and diversify the Group's business risks.

In pursuit thereof, the Group intends to venture into the Prefabricated Manufacturing Business by entering into a Shareholders' Agreement with Teambuild. This collaboration aims to leverage their combined resources and expertise for the Group's new venture into the Prefabricated Manufacturing Business. Further details of the Collaboration are set out in **Section 2.2** of this announcement.

The Collaboration enables the Group to adopt the PPVC technology in developing the proposed joint development with the Penang Development Corporation (“PDC”) (announced on 10 December 2024) (“**Proposed Joint Development**”) by supplying prefabricated and prefinished modular units to the project. The Prefabricated Manufacturing Business will be able to leverage on the experience gained from the adoption of PPVC in the Proposed Joint Development to improve operational efficiencies and to secure prefabricated manufacturing contracts for projects outside the Group. Given the lack of prefabricated and prefinished modular systems in Malaysia, the Collaboration represents an excellent opportunity for the Group to introduce this innovative construction technology to the Malaysian market.

Barring any unforeseen circumstances, the Board anticipates that the Proposed Diversification could contribute 25% or more to the net profits of the Group and/or result in the diversion of more than 25% to the NA of the Group moving forward.

Pursuant thereto, the Board proposes to seek the approval from the shareholders of SkyWorld Development (“**Shareholder(s)**”) for the Proposed Diversification pursuant to paragraph 10.13(1) of the MMLR which states that a listed issuer must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (i) the diversion of 25% or more of the NA of the listed issuer to an operation which differs widely from those operations previously carried on by the listed issuer; or
- (ii) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

2.2 Details of the Collaboration

Pursuant to the Collaboration, a private limited liability company in Malaysia, Prefab Master, has been incorporated, with SkyWorld Development holding a 70% equity interest and Teambuild holding a 30% equity interest. Prefab Master will be the vehicle to undertake the Prefabricated Manufacturing Business in accordance with the terms of the Shareholders' Agreement dated 20 January 2025 which was executed by SkyWorld Development, Teambuild and Prefab Master (collectively, the "**Parties**") ("**Shareholders' Agreement**"). The scope of the Prefabricated Manufacturing Business to be undertaken by Prefab Master comprises:-

- (a) the design, research, and development of prefabricated and prefinished modular systems, as well as the provision of technical advisory support to its subsidiary(ies);
- (b) the retention of ownership over all intellectual property rights associated with its Prefabricated Manufacturing Business within Malaysia and any other area or country in ASEAN (excluding Singapore), and any other territory which the Parties may agree to from time to time ("**Territory**"); and
- (c) the establishment of subsidiary(ies) to manage the manufacturing, sale, and installation of prefabricated and prefinished modular systems within the Territory, namely Prefab Master (Penang) Sdn Bhd ("**Prefab Master Penang**").

2.2.1 Details of Prefab Master and Prefab Master Penang

Prefab Master, was incorporated in Malaysia under the Companies Act 2016 ("**Act**") by SkyWorld Development and Teambuild on 17 January 2024 to undertake the Prefabricated Manufacturing Business with an issued share capital of RM100.00 comprising 100 ordinary shares ("**Prefab Master Share(s)**"). The shareholdings of Prefab Master are as follows:-

| Name | Place of incorporation | Shareholdings as at the LPD | | | |
|----------------------|------------------------|-----------------------------|-------------------|-----------------------------|----------|
| | | Direct | | Indirect | |
| | | No. of Prefab Master Shares | (¹)% | No. of Prefab Master Shares | % |
| SkyWorld Development | Malaysia | 70 | 70.00 | - | - |
| Teambuild | Singapore | 30 | 30.00 | - | - |
| Total | | 100 | 100.00 | - | - |

Note:-

(1) Based on the existing issued share capital of 100 Prefab Master Shares as at the LPD.

Prefab Master Penang, a wholly-owned subsidiary of Prefab Master, was incorporated in Malaysia under the Act on 19 January 2024 to manufacture and supply PPVC materials with an issued share capital of RM100.00 comprising 100 ordinary shares.

Prefab Master and Prefab Master Penang shall operate their businesses from Ground Floor, Block B, Wisma NTP World, Excella Business Park, Jalan Ampang Putra, Ampang, 55100 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia.

2.2.2 Background information on Teambuild

Teambuild is a private company limited by shares registered in Singapore and having its business address at 9 Defu South Street 1, Teambuild Connect, Singapore 533844. For over 12 years, Teambuild has specialised in the manufacturing and implementation of prefabricated and prefinished modular units for both public and private property development projects in Singapore.

As at the LPD, Teambuild has a total issued share capital of SGD500,000 comprising 500,000 ordinary shares (“**Teambuild Share(s)**”). The details of the shareholders of Teambuild and their respective shareholdings in Teambuild as at the LPD are as follows:-

| Name | Nationality | Direct | | Indirect | |
|---------------------------------------|-------------|-------------------------|-------|-------------------------|---|
| | | No. of Teambuild Shares | (1)% | No. of Teambuild Shares | % |
| Lee Kay Sin | Malaysian | 40,474 | 8.09 | - | - |
| Lee Keh Ha | Singaporean | 40,474 | 8.09 | - | - |
| Seow Heng Choo | Singaporean | 47,106 | 9.42 | - | - |
| Seow Mee Cheong @ Seow Hon Cheong | Malaysian | 7,526 | 1.51 | - | - |
| Seow Seng Wei | Singaporean | 250,947 | 50.19 | - | - |
| Shiow Moi Moi @ Seow Lian Moi | Malaysian | 1,526 | 0.31 | - | - |
| Siow Kong Cheong @ Seow Kuan Chong | Malaysian | 16,421 | 3.28 | - | - |
| Tang Hee Sung | Malaysian | 95,526 | 19.11 | - | - |

Note:-

(1) Based on the existing issued share capital of Teambuild comprising 500,000 Teambuild Shares as at the LPD.

The details of the directors of Teambuild and their respective shareholdings in Teambuild as at the LPD are as follows:-

| Name | Nationality | Direct | | Indirect | |
|----------------|-------------|-------------------------|-------|-------------------------|---|
| | | No. of Teambuild Shares | (1)% | No. of Teambuild Shares | % |
| Seow Heng Choo | Singaporean | 47,106 | 9.42 | - | - |
| Lee Keh Ha | Singaporean | 40,474 | 8.09 | - | - |
| Seow Seng Wei | Singaporean | 250,947 | 50.19 | - | - |

Note:-

(1) Based on the existing issued share capital of Teambuild comprising 500,000 Teambuild Shares as at the LPD.

2.2.3 Salient terms of the Shareholders’ Agreement

On 20 January 2025, the Parties have entered into the Shareholders’ Agreement and the salient terms of the Shareholders’ Agreement shall be as follows:-

(i) Shareholding proportion

SkyWorld Development and Teambuild agreed that their respective shareholding proportions (“**Shareholding Proportion**”) in Prefab Master are as follows:-

| Shareholders | Prefab Master Shares | Percentage of shareholding (%) |
|----------------------|----------------------|--------------------------------|
| SkyWorld Development | 70 | 70.00 |
| Teambuild | 30 | 30.00 |
| Total | 100 | 100.00 |

(ii) Composition of the board of directors of Prefab Master (“Board of Prefab Master”)

The Board of Prefab Master shall at all times comprise no more than five (5) directors of which three (3) directors shall be appointed by SkyWorld Development and two (2) directors shall be appointed by Teambuild. The Chairman of the Board of Prefab Master shall be one of the directors nominated by SkyWorld Development and shall not be entitled to a second or casting vote.

(iii) Management committee of Prefab Master (“Management Committee”)

- (a) The Management Committee shall comprise:-
- (A) an equal number of representatives appointed by each shareholder of Prefab Master;
 - (B) the C-suite officers (including the Chief Executive Officer and the Chief Financial Officer) and/or other equivalent head officers overseeing the overall factory operations of the Group, as appointed by the Board of Prefab Master (“**Principal Officers**”); and
 - (C) a chairman who shall be nominated by SkyWorld Development from time to time.
- (b) The Management Committee shall be responsible for the negotiation, discussion and structuring matters in relation to the Prefabricated Manufacturing Business, including but not limited to business model and strategies, financial matters, factory setup and operations and other vital components to shape the Prefabricated Manufacturing Business.

(iv) Contribution

- (a) Each shareholder shall contribute to the capital of Prefab Master, and provide corporate guarantee(s), if needed, to secure credit facility(ies) obtained by Prefab Master from financial institutions to support its business operations and to meet its funding requirements, in accordance with their respective Shareholding Proportion, up to an amount set out in the initial annual business plan and annual budget.
- (b) In respect of additional working capital requirements set out in Prefab Master’s subsequent annual business plan and annual budget or any costs overrun exceeding the requirements set out in the annual business plan and annual budget approved by the Board of Prefab Master, Prefab Master shall use all reasonable endeavours to procure that such additional funding requirements (to the extent not met out of the subscription monies or its funds) shall be satisfied as far as practicable by borrowings from banks and other financial institutions.

(v) Profit sharing and distribution

The Parties agree that unless otherwise from time to time mutually agreed upon in writing, Prefab Master shall only upon recommendation of its Board, and subject to the approval of its Board as a Board Reserved Matter (as defined in **Appendix I** of this announcement), declare and distribute as dividends to its shareholders in respect of each accounting period such amount of its net distributable profit as it deems fit of that accounting period. Dividends shall be distributed in accordance with the shareholders’ respective Shareholding Proportion.

(vi) Transfer of shares

- (a) None of the shareholders of Prefab Master shall sell, transfer, or in any other way dispose of or deal with all or any part of its shares unless and until the rights of pre-emption conferred under the Shareholders' Agreement have been exhausted.
- (b) None of the shareholders of Prefab Master shall, except with the prior written approval of the other shareholders, create or permit to subsist any pledge, lien or charge over, or grant any rights or other encumbrance or security interest on or over all of any of the shares held by it (otherwise than by a transfer of the same in accordance with the provisions of the Shareholders' Agreement or any security granted in connection with borrowings from banks and other financial institutions as agreed to by all the shareholders) and any persons in whose favour any such pledge, lien or charge is created or permitted to subsist or such rights are granted or such interest is disposed of shall be subject to the same limitations and provisions as are contained in the Shareholders' Agreement.

(vii) Right of first refusal

In the event any shareholder of Prefab Master is offered a business opportunity to undertake a business venture in any Southeast Asia countries (excluding Singapore) in relation to Prefabricated Manufacturing Business, such shareholders shall first have given the other shareholder a first right of refusal to jointly undertake such business venture.

(viii) Effective date, term and termination

- (a) Save for certain prescribed clauses, the Shareholders' Agreement shall come into force and effect upon SkyWorld Development having obtained the approval of its shareholders in the general meeting for the transactions contemplated thereunder and all relevant approvals required to convene the said general meeting pursuant to any relevant laws or listing requirements applicable to SkyWorld Development) (the "**Effective Date**").
- (b) The Shareholders' Agreement shall be effective from the Effective Date and continue in full force and effect for an indefinite period of time until Prefab Master is wound-up, dissolved or otherwise cease to exist as a separate entity or when the Parties mutually agree to terminate the Shareholders' Agreement.
- (c) In relation to a shareholder which has transferred all of its shares as permitted by the Shareholders' Agreement, the Shareholders' Agreement shall thereupon cease to have any force or effect save for such rights, benefits and obligations which have accrued to it or been incurred by it at the date of its ceasing to be a shareholder.

Other salient terms of the Shareholders' Agreement are set out in **Appendix I** of this announcement.

2.2.4 Liabilities to be assumed

There are no liabilities, including contingent liabilities to be assumed by SkyWorld Development pursuant to the Collaboration.

2.2.5 Additional financial commitments required

Save for the financial commitments required for the implementation and completion of the Collaboration, SkyWorld Development is not expected to incur any other additional financial commitment for the Collaboration.

2.2.6 Source of funding

SkyWorld Development Group intends to fund the Collaboration through a combination of internally generated funds and/or bank borrowings, the quantum of which has not been determined at this juncture.

2.3 Key management personnel

At this juncture, SkyWorld Development Group has identified and appointed Mr. Lee Chee Seng and Mr. Seow Seng Wei to form the Management Committee, to lead and oversee the Collaboration as well as the overall development, communication and execution of strategic plans and initiatives for the Prefabricated Manufacturing Business. The Management Committee consists of representatives appointed by SkyWorld Development and Teambuild.

Further details of the qualifications and experiences of the Management Committee are set out below:-

(i) Mr. Lee Chee Seng

Mr. Lee, a Malaysian aged 53, is the Chief Executive Officer of SkyWorld Development Group. He is responsible for overseeing and managing the day-to-day operations of the Group. He graduated with a Bachelor of Business Studies from Charles Sturt University with the HELP University External Programme in 2004.

He began his career with Zalam YTK Sdn Bhd (now known as Zalam Corporation Sdn Bhd) (“**Zalam YTK**”), a construction and property development company, in 1994, whereby he was involved in overseeing project planning and implementation. After joining SkyWorld Development Group in 2013 as Chief Product Officer, he played a passive role at Zalam YTK until his resignation in December 2017.

(ii) Mr. Seow Seng Wei

Mr. Seow, a Singaporean aged 63, is the Chief Executive Officer of Teambuild Construction Group (“**Teambuild Group**”). He co-founded the Teambuild Group in 1992 when he was in his twenties. He graduated with a Bachelor Degree in Civil Engineering in 1983 and from the University of New Mexico, USA, and a Masters in Project Management from the National University of Singapore in 1996.

In 2013, Mr. Seow and his colleagues spearheaded Teambuild Group’s early adoption of development in PPVC. Teambuild Group became the first firm in Singapore to construct and complete both public and private housing projects using concrete PPVC. Mr. Seow also championed the integration of building information modelling, robotics, automation, and artificial intelligence, transforming traditional methodologies into more efficient, data-driven operations. Under his stewardship, Teambuild Group established a multi-storey integrated construction and prefabrication hub, embracing the potential of advanced manufacturing and automation.

Based on the above, the Board believes that Mr. Lee and Mr. Seow’s extensive expertise will facilitate a smooth transition for the Group’s venture into the Prefabricated Manufacturing Business. Mr. Lee and Mr. Seow will spearhead the Prefabricated Manufacturing Business and they will be supported by the Group’s existing team for all back-end functions such as accounting, human resources and administrative matter at the initial stage of the Prefabricated Manufacturing Business. Under the guidance of Mr. Lee and Mr. Seow, Prefab Master shall establish a professional management team and recruit additional manpower with relevant experiences in prefabricated manufacturing in order for Prefab Master to operate independently.

The Management Committee will facilitate this transition and oversee the management of the Prefabricated Manufacturing Business. Details and size of the recruitment can only be determined at a later stage depending on the nature and scale of the future property development portfolio as well as the operating requirements at the material time. At this juncture, the Group has not identified any new recruits, and that the Group's transition into this venture will be monitored and overseen by the aforesaid Management Committee in the interim.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED DIVERSIFICATION

As at the LPD, SkyWorld Development is principally involved in the provision of management services to its subsidiary companies and business of property development and investment holding. SkyWorld Development has mainly relied on the Property Development Business since its incorporation in 2006. Based on the summary of the Group's financial performance for the past three (3) financial years as set out in **Section 2.1** of this announcement, the financial performance of the Group has been fluctuating in tandem with the Group's property launches and recognition of sales for on-going projects.

The Proposed Diversification is part of SkyWorld Development Group's effort of identifying and applying new processes and innovative technology in its Property Development Business that can enhance the overall quality and reliability of the homes being delivered to customers. By leveraging on the competitive advantages of PPVC technology, the Group anticipates an improvement in the construction quality, speed of project delivery and better cost efficiency across the Group's projects for which the benefits are expected to be passed on to the end customer. The Board believes that the collaboration between SkyWorld Development and Teambuild will enable the Group to smoothly venture into the Prefabricated Manufacturing Business, leveraging on the extensive experience and expertise of Teambuild in the manufacturing of prefabricated and prefinished modular systems, as well as its proficiency in utilising PPVC technology.

The Board believes that venturing into Prefabricated Manufacturing Business will significantly enhance the Group's operational efficiency, create valuable synergies and position SkyWorld Development with a competitive edge, particularly in undertaking large development projects such as the Proposed Joint Development. The Proposed Joint Development is expected to commence in the second half of 2025 and span a period of 10 to 15 years with a gross development value ("GDV") of approximately RM13 billion. The Board believes that the Prefabricated Manufacturing Business could revolutionise construction methodologies in Malaysia and position the Group as an industry leader.

Premised on the foregoing, the Board believes that it is in the best interest of the Group to diversify and expand the Group's existing business activities to include the Prefabricated Manufacturing Business which, in turn, is expected to further enhance SkyWorld Development's reputation and prospects in the property development industry.

4. INDUSTRY OUTLOOK, OVERVIEW AND PROSPECT

4.1 Overview and outlook of the Malaysian economy

The growth in 2025 is projected between 4.5% and 5.5%, supported by a resilient external sector, benefitting from improved global trade and stronger demand for E&E goods, leveraging the country's strategic position within the semiconductor supply chain. Additionally, robust domestic demand, fuelled by strong private sector expenditure, will support the expansion, through continued implementation of key national master plans and ongoing initiatives. A pertinent initiative which is GEAR-uP, will synergise efforts across government-linked entities to catalyse growth in high growth sectors, encompassing energy transition, advanced manufacturing, food security, healthcare, Islamic finance and biopharmaceuticals. The potential investment from this initiative is expected to amount to RM120 billion over the span of five (5) years. On the production side, most sectors are expected to expand, highlighting the resilience and agility of Malaysia's economy.

On the supply side, the services sector continues to uphold its position as the main driver of growth contributed by tourism activities, sustained exports and acceleration of ICT related activities. Tourism-related industries, particularly food & beverages, accommodation and retail trade segments, are expected to increase further, while the wholesale trade as well as air and water transportations segments will benefit from sustained trade-related activities. Industries such as the utilities and professional services are anticipated to rise in tandem with the acceleration of ICT development, particularly in data centres. The manufacturing sector is projected to expand further attributed to better performance in export-oriented industries, primarily the E&E segment, as external demand for semiconductors continues to increase. Additionally, the domestic-oriented industries are anticipated to remain favourable in line with higher domestic consumption and investment. The construction sector is expected to rise attributed to growth in all subsectors. Prospects for the agriculture sector remain positive supported by higher production of crude palm oil (CPO) and demand from food-related industries. On the contrary, the mining sector is forecast to decline marginally due to scheduled plants shutdown for maintenance purposes.

On the demand side, growth will be buoyed by strong private sector expenditure and stable global trade. Accounting for about 60% of the economy, private consumption is projected to continue spearheading growth, backed by firm labour market conditions and income growth amid manageable inflation. Gross fixed capital formation or total investment remains high, underpinned by the realisation of private investment, acceleration of public sector strategic projects and initiatives under the Government-linked enterprises Activation and Reform Programme (GeAR-uP) as well as new and ongoing multi-year projects in the services and manufacturing sectors.

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

4.2 Overview and outlook of the property development industry in Malaysia

The property market has improved in H1 2024, indicated by higher growth in market activity and positive performance in all sub-sectors. Total volume and value of transactions expanded by 8.0% in volume and 23.8% in value to 198,906 transactions worth RM105.65 billion as compared to H1 2023 (184,140 transactions worth RM85.37 billion). The residential sub-sector continued to contribute the largest share of transactions, recorded a marginal increase in both volume and value.

Residential market activity recorded a total of 121,964 transactions worth RM49.43 billion in H1 2024, a marginal increase of 6.1% in volume and 10.4% in value as compared to H1 2023. The improvement was supported by higher market volume in all states except Negeri Sembilan, Kedah, Sarawak, Terengganu, and Perlis, which recorded a decline in market activity. Selangor contributed the highest volume and value to the national market share, capturing 22.3% in volume (27,174 transactions) and 30.6% in value (RM15.15 billion). Johor ranked second highest with 15.3% in volume (18,648 transactions) and 18.2% in value (RM9.02 billion). The four major states, namely Wilayah Persekutuan Kuala Lumpur, Johor, Selangor, and Pulau Pinang, formed about 50% of the total national volume of transactions.

Demand continued to focus on terraced houses, which formed around 43.0% of the total residential transactions, followed by high-rise units (14.3%), vacant plots (15.3%), low-cost houses/flats (10.8%), semidetached (7.9%), and other types. The affordable house with a price range of RM300,000 and below remained in demand as the numbers dominated the volume, accounting for 53.1% of the total residential transactions. The price range bracket of RM300,001 to RM500,000 came in second (24.3%), followed by RM500,001 to RM1 million (17.3%), and more than RM1 million (5.3%). Of the total residential property transactions, 16.1% were primary market transactions (purchases from developers), while the remaining 83.9% were secondary market transactions (sub-sales).

The residential overhang situation improved in the first half of 2024 as the numbers reduced. There were 22,642 overhang units worth RM14.24 billion recorded in H1 2024, reduced by 12.3% and 19.5% in volume and value, respectively, against H2 2023 (25,816 overhang units worth RM17.68 billion).

The performance of the property market in the first half of 2024 continue to improve, driven by stronger market activity, an improvement in market status, and encouraging construction activity. The strengthening of market activity was driven by a positive performance of transactions in all subsectors, supported by various initiatives outlined by the government under Budget 2024, including providing guarantees of up to RM10 billion under Skim Jaminan Kredit Perumahan (SJKP) and the extension of the stamp duty exemption period for property transfer documents for the purchase of first-time home buyers valued at RM500,000 and below until December 2025.

(Source: Property Market Report 1H2024, Valuation and Property Services Department Malaysia)

4.3 Prospects and future plans of SkyWorld Development Group

SkyWorld Development Group operates primarily through its Property Development Business, and as at the LPD has four (4) ongoing developments, with a total GDV of RM2.0 billion. The management acknowledges that a significant segment of Malaysia's residential property market is shaped by a young demographic profile, and this trend is expected to drive demand for affordable residential properties going forward.

In order to capitalise the demand gap of affordable housing for first-time homebuyers in urban areas, SkyWorld Development Group intends to undertake the collaboration with Teambuild to manufacture prefabricated and prefinished modular systems, which are intended to be used in its projects, starting with the Proposed Joint Development in the second half of 2025. This strategic collaboration is designed to drive innovation, enhance competitiveness, improve lead time for project delivery, and strengthen the Group's position in the property development sector as the usage of PPVC technology will further enhance the quality of its development projects.

Based on the estimates made by the management of SkyWorld Development Group, the Prefabricated Manufacturing Business is expected to start contributing profit to SkyWorld Development Group in the financial year ending 31 March 2027.

Premised on the above, the Board believes that the Proposed Diversification will allow the Group to enhance its competitiveness in the property development sector, in which the successful implementation of the Collaboration is expected to contribute positively to the Group's financial performance and enhance shareholders' long-term return.

(Source: SkyWorld Development Group's Management)

5. RISK FACTORS

Pursuant to the Proposed Diversification, SkyWorld Development Group will be exposed to risks inherent in the prefabricated manufacturing industry which include, but are not limited to, the following:-

5.1 Business diversification risk

Pursuant to the Proposed Diversification, SkyWorld Development Group's business will be subject to risks inherent in the prefabricated manufacturing industry. These include, but are not limited to, competition from existing and established prefabricated manufacturer as well as new market entrants to the prefabricated manufacturing industry, changes in the supply and demand of properties, changes in the regulatory framework relating to the property development, increase in building materials or labour costs, downturns in the global, regional and/or national economies, changes in law and tax regulations, and changes in business and credit conditions.

Notwithstanding that, SkyWorld Development Group seeks to conduct a periodic review of its business and site operations, and also adopt prudent financial management and efficient operating procedures to limit the impact of the aforementioned risks. However, there can be no assurance that SkyWorld Development Group will be able to successfully mitigate the various risks inherent in both the property development industry and prefabricated manufacturing industry, and if unable to do so, the business operation and financial performance of SkyWorld Development Group may be adversely affected.

5.2 Dependency on the Collaboration and Management Committee

The operations of the Prefabricated Manufacturing Business will depend significantly on the capabilities and expertise of the Management Committee. The Management Committee includes Seow Seng Wei (Chief Executive Officer of Teambuild Group) and Lee Chee Seng (Chief Executive Officer of SkyWorld Development Group), will spearhead the Prefabricated Manufacturing Business and assist Prefab Master to establish a professional management team and recruit additional manpower with relevant experiences in prefabricated manufacturing in order for Prefab Master to operate independently, as outlined in **Section 2.3** of this announcement.

The termination of the Collaboration as well as the loss of key personnel and/or relevant personnel without suitable and timely replacements and the inability to attract or retain qualified and suitable personnel may have an adverse impact on the Group's Prefabricated Manufacturing Business.

As such, the Group will implement appropriate measures to identify and retain experienced personnel, including offering competitive remuneration packages including long term incentive plans.

5.3 Financing and repayment of borrowing risks

Pursuant to the Proposed Diversification, the Group may need to incur borrowings to fund the working capital requirements of the Collaboration. In view of the foregoing, any borrowings and/or unexpected increase in interest rates may result in an increase in interest expense, which may affect the Group's profitability and debt repayment obligations. There can be no assurance that the Group will be able to meet its borrowing commitments imposed by the financial institutions in the event of any unexpected increase in interest rates in the future. In addition, the Group's credit facilities may also be subject to review by the financial institutions and contain certain covenants, which may limit the Group's operating and financing flexibility. Nonetheless, the Group will take all reasonable steps (i.e. monitor its debt levels and adopt cost-effective financing actions) to prevent the failure of the Group to fulfil its payment obligations and thereby mitigating the aforesaid risks.

6. EFFECTS OF THE PROPOSED DIVERSIFICATION

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Diversification will not have any effect on the share capital and the substantial shareholders' shareholdings of SkyWorld Development as it does not involve any issuance of new ordinary share(s) in SkyWorld Development ("**Share(s)**").

6.2 NA per Share and gearing

The Proposed Diversification is not expected to have any immediate material impact on the NA per Share and gearing of SkyWorld Development Group for the financial year ending 31 March 2026. However, the impact on the future NA per Share and/or gearing of SkyWorld Development Group will depend on the development timeframe and the future profit contribution arising from the Group's Prefabricated Manufacturing Business.

6.3 Earnings and Earnings per Share (“EPS”)

The Proposed Diversification is not expected to have any material impact on the earnings and EPS of SkyWorld Development for the financial year ending 31 March 2025 as the Proposed Joint Development is expected to commence in the second half of 2025. Nevertheless, the Collaboration is expected to contribute positively to the future earnings of SkyWorld Development Group as and when the Proposed Joint Development progresses.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Diversification is subject to the following approvals:-

- (i) the shareholders of SkyWorld Development at an extraordinary general meeting (“**EGM**”) of the Company to be convened; and
- (ii) any other relevant authority, if required.

The Proposed Diversification is not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Diversification, which is the subject matter of this announcement, the following outstanding proposals have been announced and are pending completion:-

- (i) On 7 September 2023, the Board announced that SkyWorld Development (Vietnam) Company Limited, a wholly-owned subsidiary of SkyWorld Development has, 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; 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) only subject to the terms and conditions stated in the SPA.
- (ii) On 30 August 2024, the Board announced that SkyWorld Development (Vietnam) Company Limited, a wholly-owned subsidiary of SkyWorld Development had entered into a Memorandum of Understanding with (i) SkyVenue Land Group Joint Stock Company (“**SkyVenue**”), (ii) SkyBridge Company Limited; and (iii) the existing shareholders of SkyVenue namely Mr Hang Vay Chi, Ms Vuong Hoa and TT Investment Company Limited to jointly develop the remainder of the “Guocoland Commercial Complex” project on land lots located at Thuan An City, Binh Duong Province, Vietnam.
- (iii) On 10 December 2024, UOBKH had on behalf of the Board announced that the Company had entered into a joint development agreement with the PDC and PDC Properties Sdn Bhd, to undertake the proposed development of land located at Mukim 13, Bandar Cassia, Seberang Perai Selatan, Pulau Pinang measuring approximately 161.50 acres, and Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang measuring approximately 34.04 acres.

Save for the above, the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the LPD.

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

None of the Directors and/or major shareholders of SkyWorld Development, as well as persons connected with them, have any interest, whether direct or indirect, in the Proposed Diversification.

10. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Diversification (including but not limited to the rationale, prospects and risk factors of the Proposed Diversification), is of the opinion that the Proposed Diversification is in the best interest of the Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining the approval from the shareholders of SkyWorld Development at an EGM of the Company to be convened.

12. APPLICATIONS TO RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the draft circular to the Shareholders in relation to the Proposed Diversification is expected to be submitted to Bursa Securities within one (1) month from the date of this announcement.

13. ADVISER

UOBKH has been appointed as the Adviser for the Proposed Diversification.

This announcement is dated 20 January 2025.

OTHER SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT

A. MANAGEMENT COMMITTEE

- (i) The Management Committee shall meet on a fortnightly basis or at other intervals as required by the shareholders of Prefab Master to ensure efficient and effective negotiation and discussion.
- (ii) Upon the expiry of six (6) months from the commencement of operations of the Prefabricated Manufacturing Business or such extended period as may be determined by the Board of Prefab Master to ensure smooth operations of Prefab Master and its subsidiary(ies), the Management Committee may then be dissolved by the shareholders.

B. DIRECTORS' MEETING

- (i) The quorum for transacting any business at any meetings of the Board of Prefab Master shall be minimum of two (2) directors present in person or by alternate consisting of at least one (1) director representing each of SkyWorld Development and TeamBuild respectively unless the shareholders otherwise agree in writing.
- (ii) Not less than fourteen (14) days' notice by electronic mail of every meeting of the Board of Prefab Master shall be given to each director unless otherwise agreed by all the directors.
- (iii) If no quorum is present within sixty (60) minutes of the time appointed for the meeting, such meeting will stand automatically adjourned to any day after not less than seven (7) days' notice by electronic mail of the adjourned meeting of the Board of Prefab Master has been given to each director and where such director has an alternate, to such alternate also, at the same time and place (the "**adjourned meeting**"). If no quorum is present within thirty (30) minutes of the time appointed for the adjourned meeting, then the adjourned meeting may proceed with a quorum of any two (2) of the directors but if no such quorum of two (2) is present, then the meeting shall be dissolved.
- (iv) Any resolution tabled for consideration at a meeting of the Board of Prefab Master shall only be passed by the affirmative vote of the majority of the directors present and voting, save and except on any of the following reserved matters, which shall be valid only if passed by an affirmative vote at least one (1) director representing each of SkyWorld Development and TeamBuild ("**Board Reserved Matters**"):-
 - (a) the exercise of borrowing powers by Prefab Master and/or any of its subsidiaries (collectively, "**Prefab Group**" or each a "**Prefab Group Company**") (other than borrowings approved in the annual budget that has been separately approved as a Board Reserved Matter under sub-paragraph (g) hereof) or the creation of any encumbrance over any Prefab Group Company;
 - (b) recommendation of declaration or payment of dividends or other distribution of profits of Prefab Master;
 - (c) any disposal or the acquisition of, or investment in, any undertaking, assets or shares or other equity interests by any Prefab Group Company;
 - (d) the commencement, defence or settlement by any Prefab Group Company of any litigation, arbitration or administrative proceedings other than as plaintiff in the collection of debts arising in the ordinary course of business;
 - (e) the exercise of any Prefab Group Company's powers to provide guarantees or indemnities;

OTHER SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (Cont'd)

- (f) the adoption of, or any significant change in, the accounting policies of any Prefab Group Company, other than as required by law or accounting policies generally accepted in the relevant country of incorporation from time to time;
- (g) the approval of the annual business plan and annual budget (including any amendments, modifications, addendum or additions thereto) of any Prefab Group Company;
- (h) the provision by any Prefab Group Company of any credit, or the making of any loan (including any loans to the Parties) or advance to, or for, any person, company or body, save and except for any advances between the Prefab Group Companies;
- (i) the approval of the audited accounts (including any amendments, modifications, addendum or additions thereto) of any Prefab Group Company;
- (j) the appointment of or any subsequent change in the Principal Officer(s) of any Prefab Group Company;
- (k) the approval of the remuneration (including salary, allowances and benefits) of the directors and Principal Officer(s) of any Prefab Group Company;
- (l) the incurring by any Prefab Group Company of any capital expenditure for more than RM500,000 in aggregate during the financial year (including the acquisition of any undertaking or asset whether under lease or hire purchase or otherwise) other than capital expenditure approved in the annual budget in accordance with sub-paragraph (g) above; and
- (m) the establishment of policies and guidelines within which the Principal Officer(s) and other personnel or employees of any Prefab Group Company shall perform the Prefabricated Manufacturing Business and commercialization of the Prefabricated Manufacturing Business and to this effect, the granting of powers to any agents or attorneys appointed for such purpose and the determination of the rights, duties and benefits of the Principal Officer(s) and other officers and employees of any Prefab Group Company.

C. GENERAL MEETING

- (i) The requisite quorum for each general meeting of the shareholders shall be not less than two (2) shareholders, including SkyWorld Development and Teambuild.
- (ii) At any meeting of the shareholders convened, if no quorum is present within sixty (60) minutes of the time appointed for the meeting, such meeting will stand automatically adjourned to any day after not less than seven (7) days' notice by electronic mail of the adjourned meeting of the shareholders of Prefab Master has been given to each shareholder, at the same time and place (the "**adjourned meeting**"). If no quorum is present within thirty (30) minutes of the time appointed for such adjourned meeting, then the adjourned meeting may proceed with a quorum of any one (1) of the shareholders but if no such quorum of one (1) is present, then the meeting shall be dissolved.
- (iii) Except where a greater majority is required by the Companies Act 2016, any resolution tabled for consideration by the members at a general meeting shall be passed by a simple majority of votes on a poll save that any resolutions which deal with following reserved matters, shall require the affirmative votes of each of the shareholders ("**Shareholder Reserved Matters**"):-
 - (a) any change in the nature and/or scope of the business of any Prefab Group Company;

OTHER SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (Cont'd)

- (b) the dissolution, liquidation, or winding-up of any Prefab Group Company;
- (c) any amendment to the articles of association or equivalent constitutional document of any Prefab Group Company;
- (d) any change to the share capital of any Prefab Group Company (including but not limited to the issue of any new shares, the issue or grant over any option over unissued shares, the issue of any convertible securities, any repurchase, cancellation or redemption of share capital);
- (e) any Prefab Group Company entering into, varying, waiving any breach of, discharging any liability under, or terminating, any contract or arrangement (whether legally binding or not) with any related party;
- (f) any amalgamation or reconstruction of any Prefab Group Company, or any merger of any Prefab Group Company with any corporation, firm or other body;
- (g) the appointment or removal of, or change in, the auditors;
- (h) the grant by any Prefab Group Company of any power of attorney the subject matter of which is connected in any way to a Board Reserved Matter or a Shareholder Reserved Matter;
- (i) the establishment of any committee of the board of directors or equivalent organ of any Prefab Group Company and delegation of its powers to any such committee (other than the Management Committee); and
- (j) the establishment of any branch or representative office of any Prefab Group Company, or the entry by any Prefab Group Company into any partnership or joint venture or co-operation agreement with any other party, save and except for the any partnership or joint venture that results in potential divestment of equity in Prefab Master Penang of up to fifteen percent (15%), which exception is agreed by the shareholders.