

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

PROPOSED ESTABLISHMENT OF A LONG TERM INCENTIVE PLAN (“LTIP”) COMPRISING AN EMPLOYEE SHARE OPTION SCHEME (“PROPOSED ESOS”) AND A PERFORMANCE SHARE GRANT PLAN (“PROPOSED PSGP”) INVOLVING UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF SKYWORLD DEVELOPMENT (EXCLUDING TREASURY SHARES, IF ANY) (“PROPOSED LTIP”)

1. INTRODUCTION

On behalf of the Board of Directors of SkyWorld Development (“**Board**”), Kenanga Investment Bank Berhad (“**Kenanga IB**”) wishes to announce that the Company proposes to establish and implement the Proposed LTIP, which comprises of the Proposed ESOS and the Proposed PSGP, involving up to 10% of the total number of issued shares of the Company (excluding treasury shares of SkyWorld Development, if any) at any point in time during the duration of the LTIP, for the Chief Executive Officer of SkyWorld Development (“**CEO**”), eligible employees who hold senior management positions and key roles within SkyWorld Development and its subsidiaries (excluding those which are dormant) (“**SkyWorld Group**” or the “**Group**”) (“**Senior Management**”) and any employee of SkyWorld Group, who fulfil the eligibility criteria as set out in the by-laws of the LTIP.

Further details of the Proposed LTIP are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED LTIP

The Proposed LTIP serves to attract, retain, motivate and reward the CEO, Senior Management and any employee of the SkyWorld Group (as the case may be), who fulfil the eligibility criteria as set out in Section 2.4.2 of this announcement through the award of options with rights to subscribe for ordinary shares in SkyWorld Development (“**SkyWorld Share(s)**” or “**Share(s)**”) or the award of SkyWorld Shares.

For the avoidance of doubt, the parties who are eligible to participate in the Proposed LTIP are as follows:

- (i) in the case of the Proposed ESOS, the CEO, Senior Management and any employee of SkyWorld Group as may be determined at the discretion of the LTIP Committee (as defined herein) from time to time who fulfil the eligibility criteria as set out in Section 2.4.2 of this announcement; and
- (ii) in the case of the Proposed PSGP, the Senior Management and any employee of Skyworld Group as may be determined at the discretion of the LTIP Committee (as defined herein) from time to time who fulfil the eligibility criteria as set out in Section 2.4.2 of this announcement.

(hereinafter referred to as “**Eligible Person(s)**”, as the case may be)

The Proposed LTIP will be administered, in accordance with the by-laws governing it (“**By-Laws**”), by a committee to be duly appointed and authorised by the Board from time to time in accordance with the By-Laws (“**LTIP Committee**”). The members of the LTIP Committee shall comprise of such number of Directors and / or senior management personnel of the SkyWorld Group to be duly appointed by the Board from time to time. The LTIP Committee will have the absolute discretion in administering the Proposed LTIP. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the LTIP Committee pursuant to the By-Laws may be exercised at the LTIP Committee’s sole and absolute discretion having regard to the terms of reference which the Board may establish to regulate and govern the LTIP Committee’s functions and responsibilities.

The Proposed ESOS and Proposed PSGP are intended to allow the Company to award share options and / or SkyWorld Shares to the Eligible Persons, respectively, subject to them fulfilling certain vesting conditions as determined by the LTIP Committee at a later date after the establishment and implementation of the Proposed LTIP.

In implementing the Proposed LTIP and subject to the prevailing legislation and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”), the LTIP Committee may at its absolute discretion decide that the ESOS Awards (as defined herein) or PSGP Awards (as defined herein) (collectively, the “**LTIP Awards**”) may be satisfied by the following methods:

- (i) issuance of new SkyWorld Shares;
- (ii) acquisition of existing Shares from the open market of Bursa Securities;
- (iii) transfer of the Company’s existing Shares (if any);
- (iv) any other methods as may be permitted by the Companies Act, 2016 (“**Act**”) and the Listing Requirements, as amended from time to time and any re-enactment thereof; or
- (v) a combination of any of the above.

The salient terms of the Proposed LTIP are set out below:

2.1 Proposed ESOS

Under the Proposed ESOS, the LTIP Committee may at its sole and absolute discretion, from time to time within the tenure of the Proposed LTIP, grant an award of share options in writing to the Eligible Persons (“**ESOS Options(s)**”) to subscribe for SkyWorld Shares at a prescribed exercise price (“**Exercise Price**”), in accordance with the terms and conditions of the By-Laws (“**ESOS Award(s)**”).

Upon acceptance of the ESOS Awards by the Eligible Persons (“**ESOS Participant(s)**”), the ESOS Awards will be vested to the ESOS Participants over the tenure of the Proposed LTIP, subject to the ESOS Participants fulfilling certain vesting conditions (if any) as determined by the LTIP Committee at a later date after the establishment and implementation of the Proposed LTIP.

Subject to any adjustments made under the By-Laws, the Exercise Price shall be based on a price to be determined by the Board upon recommendation of the LTIP Committee based on the 30-market day volume weighted average market price (“**30MD-VWAMP**”) of SkyWorld Shares immediately preceding the date of the letter of offer is issued to the Eligible Person(s) (“**Award Letter**”) in which an ESOS Award is awarded to any Eligible Person pursuant to an Award Letter (“**ESOS Award Date**”). The Exercise Price shall be at an amount not lower than the 30MD-VWAMP immediately preceding the ESOS Award Date and subject to compliance with the Listing Requirements.

2.2 Proposed PSGP

Under the Proposed PSGP, the LTIP Committee may at its sole and absolute discretion, from time to time within the tenure of the Proposed LTIP, grant an award of SkyWorld Shares in writing to the Eligible Persons, in accordance with the terms and conditions of the By-Laws (“**PSGP Award(s)**”).

Upon acceptance of the PSGP Awards by the Eligible Persons (“**PSGP Participant(s)**”), the PSGP Awards will be vested to the PSGP Participants over the tenure of the Proposed LTIP at no cost, subject to the PSGP Participants fulfilling certain vesting conditions (if any) as determined by the LTIP Committee at a later date after the establishment and implementation of the Proposed LTIP. The reference price of the PSGP Awards to be awarded will be determined based on the fair value of the PSGP Awards, which will take into account, amongst others, the market price of SkyWorld Shares immediately prior to the award date of the PSGP Awards.

2.3 Trust Arrangement

For the purpose of facilitating the implementation of the Proposed LTIP and to comply with relevant regulatory requirements, the Company may establish a trust (“**Trust**”) to be administered by a trustee (“**Trustee**”) in accordance with the terms and conditions of a trust deed to be entered into with the Trustee (“**Trust Deed**”). Under the By-Laws, the Company shall have the power to appoint or rescind the appointment of any Trustee as it deems fit for the purpose of administering the Proposed LTIP, in accordance with the provisions of the Trust Deed.

If the Trust is established, the Trustee may subscribe for new Shares or acquire existing Shares from the Main Market of Bursa Securities and transfer them to an ESOS Participant or a PSGP Participant (collectively, “**LTIP Participant(s)**”) at such times as the LTIP Committee shall direct. To enable the Trustee to subscribe for new Shares or acquire existing Shares from the Main Market of Bursa Securities for the purpose of the Proposed LTIP, and to pay for expenses in relation to the administration of the Trust, the Trustee may, to the extent permitted by law and subject to the By-Laws, be entitled to accept funding or assistance, from the Group for the purpose of the Trust.

2.4 Indicative salient terms of the Proposed LTIP

2.4.1 Maximum number of Shares available under the Proposed LTIP

As at 19 March 2024, being the latest practicable date prior to the date of this announcement (“**LPD**”), the Company has an issued share capital of RM244,959,957 comprising 1,000,000,000 SkyWorld Shares (excluding treasury shares) and RM150,000,000 comprising 187,500,000 irredeemable convertible preference shares (“**ICPS**”).

As at the LPD, save for the 187,500,000 ICPS, the Company does not have any other outstanding convertible securities and does not hold any treasury shares.

The maximum number of SkyWorld Shares which may be made available under the Proposed LTIP shall not in aggregate exceed 10% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time over the duration of the Proposed LTIP as set out in Section 2.4.4 of this announcement (“**Maximum Shares**”).

For illustrative purposes, the total number of SkyWorld Shares which may be allotted and issued under the Proposed LTIP are as below:

	<u>Minimum Scenario</u>	<u>Maximum Scenario</u>
Description	Assuming none of the outstanding ICPS are exercised into new SkyWorld Shares prior to the Proposed LTIP.	Assuming all the outstanding ICPS are exercised into new SkyWorld Shares prior to the Proposed LTIP.
No. of new Shares to be issued	Up to 100,000,000 Shares	Up to 118,750,000 Shares

In the event the aggregate number of Shares which may be awarded under the Proposed LTIP exceeds the Maximum Shares at any point in time as a result of the Company purchasing or cancelling Shares in accordance with the provisions of the Act or undertaking any corporate proposal(s) resulting in the reduction of the Company’s total number of issued Shares, no further LTIP Awards shall be granted by the LTIP Committee until such aggregate number of Shares already awarded under LTIP Awards falls below the Maximum Shares. During this period, entitlement to the Shares arising from LTIP Awards which have already been granted at that point in time shall remain valid and exercisable in accordance with the provisions of the By-Laws.

2.4.2 Eligibility to participate in the Proposed LTIP

Subject to the discretion of the LTIP Committee, only the Eligible Persons who fulfil the following conditions as at the date of the LTIP Awards shall be eligible to participate in the Proposed LTIP:

- (i) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (ii) is employed by SkyWorld Group on a full-time basis or under an employment contract with SkyWorld Group for a fixed duration of at least 1 year (or any other contract as may be determined by the LTIP Committee) and the contract shall have not expired within 3 months from the LTIP Award Date and is on the payroll of any company within SkyWorld Group (which is not dormant) and has not served a notice of resignation or received notice of termination;
- (iii) must have been in employment of the SkyWorld Group for such period as may be determined by the LTIP Committee prior and up to the LTIP Award Date and has not served a notice to resign nor received a notice of termination;
- (iv) is confirmed in writing as a full-time employee of SkyWorld Group prior to and up to the LTIP Award Date; and
- (v) fulfils any other criteria and / or falls within such category as may be determined by the LTIP Committee at its sole and absolute discretion from time to time,

provided always that the selection of any employee for participation in the Proposed LTIP and the number of LTIP Awards to be awarded to an employee under the Proposed LTIP shall be at the sole discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

Notwithstanding that the Proposed LTIP is intended to reward the CEO and Senior Management, the LTIP Committee may, in its absolute discretion, waive any of the conditions of eligibility as set out in the By-Laws (save for the conditions set out in Sections 2.4.2(i) and 2.4.2(ii) of this announcement) and has the sole discretion for the selection of any employee of SkyWorld Group, who is not the CEO and / or the Senior Management, for participation in the Proposed LTIP and the number of LTIP Awards to be awarded to the said employee under the Proposed LTIP.

Subject to Section 2.4.2 of this announcement, there are performance targets to be achieved by the LTIP Participants before the ESOS Options can be exercised into SkyWorld Shares and PSGP Awards can be vested. These performance targets may be determined based on, amongst others, the Group's profit after tax and total shareholder return. Notwithstanding this, the LTIP Committee may from time to time at its own discretion decide on the performance targets in the future prior to granting of the LTIP Awards.

No allotment and / or vesting of the SkyWorld Shares pursuant to the Proposed LTIP shall be made to any Eligible Person who is a Director, major shareholder or chief executive officer of the Company ("**Interested Parties**") or a person connected with any of the Interested Parties unless approved by the shareholders of the Company at a general meeting or such approval is no longer required under the Listing Requirements. If the approval of the shareholders of the Company is required, the Interested Parties and person connected with them must not vote on the resolution(s) approving their respective allocation and / or vesting of the SkyWorld Shares and allocation and / or vesting of SkyWorld Shares to persons connected to them pursuant to the Proposed LTIP.

For the avoidance of doubt, the Proposed LTIP is not extended to Datuk Seri Ng Thien Phing and Datuk Lam Soo Keong @ Low Soo Keong (collectively, "**Non-Eligible Executive Directors**") and the Non-Executive Directors of the Company. Accordingly, no LTIP Awards shall be granted to the Non-Eligible Executive Directors and Non-Executive Directors of the Company.

2.4.3 Maximum allowable allotment and basis of allocation

The allocation of SkyWorld Shares to be made available for the LTIP Awards shall be determined by the LTIP Committee from time to time during the tenure of the Proposed LTIP as determined by the LTIP Committee.

Subject to the By-Laws and any adjustments which may be made under the By-Laws, the maximum number of SkyWorld Shares to be awarded to any one Eligible Person under the Proposed LTIP at any point in time in each LTIP Award shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration, inter alia, the Eligible Person's seniority, job grading, performance, length of service, contribution to the Group, the profit after tax of the Group, total shareholder return and / or such other factors as the LTIP Committee deems fit, and subject to the following conditions:

- (i) the total number of SkyWorld Shares made available under the Proposed LTIP shall not exceed the amount in Section 2.4.1 above;
- (ii) not more than 10% (or such other percentage as may be permitted by Bursa Securities and / or any other relevant authorities from time to time) of the total number of issued Shares made available under the Proposed LTIP shall be allocated to any Eligible Person, who either singly or collectively through persons connected (as defined in the Listing Requirements) with the Eligible Person, holds 20% or more (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued Shares of the Company (excluding treasury shares, if any); and
- (iii) the Eligible Person(s) shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any,

provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.

The LTIP Committee shall be entitled to determine the maximum number of LTIP Awards that will be made available to an Eligible Person under the Proposed LTIP, in the manner provided in the By-Laws in relation to each class or grade of the Eligible Persons and the aggregate maximum number of LTIP Awards that can be awarded to the Eligible Persons under the Proposed LTIP from time to time, and the decision of the LTIP Committee shall be final and binding.

For the avoidance of doubt, the LTIP Committee may at its sole and absolute discretion determine whether granting of the LTIP Awards to the Eligible Persons will be staggered over the duration of the Proposed LTIP or in one (1) single grant and / or whether the LTIP Awards will be subject to any vesting period and if so, to determine the vesting conditions including whether such vesting conditions are subject to performance targets, the determination of which will be carried out at a later date after the establishment and implementation of the Proposed LTIP.

The Company shall ensure that the allocation of LTIP Awards to the Eligible Persons are verified by its Audit & Risk Management Committee at the end of each financial year as being in compliance with the criteria for allocation of LTIP Awards which have been disclosed in the By-Laws (where relevant).

2.4.4 Duration of the Proposed LTIP

Subject to the By-Laws, the Proposed LTIP shall take effect on the date of full compliance with the relevant requirements of the Listing Requirements ("**Effective Date**") and shall be in force for a period of ten (10) years from the Effective Date.

2.4.5 Exercise Price

For the Proposed ESOS, subject to any adjustments that may be made in accordance with the By-Laws and pursuant to the Listing Requirements, the Exercise Price shall be determined by the Board upon recommendation of the LTIP Committee based on the 30MD-VWAMP of SkyWorld Shares immediately preceding the ESOS Award Date. The Exercise Price shall be at an amount not lower than the 30MD-VWAMP immediately preceding the ESOS Award Date and subject to compliance with the Listing Requirements.

For the avoidance of doubt, the new Shares pursuant to the Proposed PSGP will vest with the PSGP Participants at no cost to the PSGP Participants. The reference price of the PSGP Awards to be awarded will be determined based on the fair value of the PSGP Awards, which will take into account, amongst others, the market price of SkyWorld Shares immediately prior to the award date of the PSGP Awards.

The LTIP Participants will be required to pay a nominal sum of RM1.00 only as non-refundable consideration for the acceptance of each ESOS Award and / or PSGP Award (regardless of the number of Shares comprised in the respective LTIP Awards).

2.4.6 Rights attaching to the ESOS Options and ranking of new Shares arising from the exercise of the ESOS Options and / or upon vesting of the PSGP Award

The ESOS Options shall not carry any right to vote at any general meeting of the Company until and unless such ESOS Participants exercise their ESOS Options into new Shares.

The new Shares to be issued under the Proposed LTIP pursuant to the exercise of the ESOS Options or vesting of the PSGP Awards shall, upon allotment and issuance, rank equally in all respects with the existing SkyWorld Shares, save and except that the new Shares will not be entitled to any dividends, rights, allotments and / or any other forms of distribution where the entitlement date of such dividends, rights, allotments and / or any other forms of distribution precedes the relevant date of allotment and issuance of the new SkyWorld Shares.

In the event that any existing Shares are to be transferred upon the vesting of any Shares under the PSGP Awards, the existing Shares shall be transferred together with all dividends, rights, allotments and / or other distributions declared, the entitlement date of which is on or after the date the Shares are credited to the CDS Accounts of the relevant PSGP Participants.

The Shares to be allotted and issued and / or transferred pursuant to the Proposed LTIP will be subjected to all provisions of the constitution of the Company and such amendments thereafter, if any.

2.4.7 Retention period

The LTIP Committee shall be entitled to prescribe or impose, in relation to any offer, any condition relating to any retention period of the Shares to be issued and / or transferred pursuant to the Proposed LTIP as it deems fit.

The Shares to be issued / transferred to an LTIP Participant shall not be subject to any retention period. However, the Company encourages LTIP Participants to hold the Shares subscribed for by them as a long-term investment and not for any speculative and / or realisation of any immediate gain.

For the avoidance of doubt, in the event of the liquidation of the Company, all unexercised or unvested or partially unexercised or partially unvested ESOS Options and PSGP Awards shall lapse and cease to be valid.

2.4.8 Alteration of share capital

Subject to the By-Laws, in the event of any alteration in the capital structure of the Company during the duration of the Proposed LTIP, whether by way of capitalisation of profits or reserves, rights issues, bonus issue, subdivision or consolidation of shares or capital reduction or any other variation of capital shall take place or if the Company shall make a capital distribution during the duration of the Proposed LTIP, the Company shall cause such adjustment to be made to:

- (i) the Exercise Price;
- (ii) the number of new Shares which shall be exercisable or vested under an ESOS Option(s) or PSGP Award(s); and / or
- (iii) the method and / or manner in the exercise of ESOS Options comprised in the ESOS Awards or the vesting of the Shares comprised in the PSGP Awards.

The following provisions shall apply in relation to an adjustment which is made pursuant to the By-Laws:

- (i) any adjustment to the Exercise Price shall be rounded up to the nearest one (1) sen; and
- (ii) in determining a LTIP Participant's entitlement to subscribe for SkyWorld Shares and / or number of SkyWorld Shares to be vested, any fractional entitlements will be disregarded.

2.4.9 Modification, variation and / or amendment to the Proposed LTIP

Subject to the By-Laws and compliance with the Listing Requirements, the LTIP Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of the By-Laws as it shall, at its sole discretion, deems fit and the Board shall have the power at any time and from time to time by resolution to add, amend, modify and / or delete all or any of the terms in the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities each time an amendment and / or modification is made, stating that the amendment and / or modification is in compliance with the provisions of the Listing Requirements and the rules of Bursa Malaysia Depository Sdn Bhd.

Subject to the By-Laws, the approval of the shareholders of the Company in a general meeting shall not be required in respect of any additions, amendments to, or deletions of the By-Laws except that subject to any applicable laws, no addition, amendment or deletion shall be made to the By-Laws without the prior approval of the Company's shareholders in a general meeting which will:

- (i) prejudice any rights which would have accrued to any LTIP Participant without his / her prior consent; or
- (ii) alter to the advantage of any LTIP Participant without the prior approval of shareholders of the Company in a general meeting in accordance with the provisions set out in the By-Laws; or
- (iii) prejudice any rights of the shareholders of the Company; or
- (iv) increase the number of new Shares available under the Proposed LTIP beyond the maximum number of Shares imposed under Section 2.4.1 above.

2.4.10 Termination of the Proposed LTIP

Subject to compliance with the Listing Requirements, other requirements of Bursa Securities and any other relevant authorities, the Proposed LTIP may be terminated by the LTIP Committee at any time before the date of expiry of the Proposed LTIP in accordance with the terms of the By-Laws provided that an announcement is released to Bursa Securities on the following:

- (i) the effective date of termination;
- (ii) the number of ESOS Options exercised pursuant to the Proposed ESOS and / or SkyWorld Shares vested pursuant to the Proposed PSGP; and
- (iii) the reasons and justification for termination.

Upon expiry or termination of the Proposed LTIP, any LTIP Awards which have yet to be exercised or vested (as the case may be and whether fully or partially) shall be deemed cancelled and shall be null and void.

Subject to the requirements under the Listing Requirements, approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of the LTIP Participants in relation to the unexercised ESOS Options and / or unvested SkyWorld Shares are not required to effect the termination of the Proposed LTIP.

2.5 Listing of SkyWorld Shares issued under the Proposed LTIP

The Company shall apply to Bursa Securities for the listing of and quotation for such new Shares to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities.

2.6 Utilisation of Proceeds

The Company will receive proceeds pursuant to the exercise of the ESOS Options by the Eligible Persons. However, the actual amount of proceeds to be raised from the Proposed ESOS will be dependent on the number of the ESOS Options granted and exercised at the relevant point in time and the Exercise Price payable upon the exercise of the ESOS Options. As such, the exact amount of proceeds to be received cannot be determined at this juncture.

The proceeds arising from the exercise of the ESOS Options will be utilised for the future working capital requirements of the Group. The working capital would be used to fund the Group's day-to-day operations to support existing business operations which shall include, but not limited to staff costs such as salaries, statutory contributions and employee benefits, maintenance costs, utilities and other operating expenses. The Company expects to utilise the proceeds for the said working capital requirements within a period of 12 months, as and when the proceeds are received throughout the tenure of the Proposed LTIP.

The Company will not receive any proceeds pursuant to the Proposed PSGP as the PSGP Participants will not be required to pay for the new Shares to be issued and allotted to them pursuant to the PSGP Award.

Pending utilisation of proceeds raised as and when the ESOS Options are exercised, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments as the Board deems fit. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used to fund the Group's working capital requirement.

2.7 Fundraising exercise in past 12 months

Save for the initial public offering which the Company undertook in conjunction with its listing on the Main Market of Bursa Securities on 10 July 2023 (“**Listing**”), the Company had not undertaken any equity fund raising exercises in the past 12 months prior to the date of this announcement.

As at the LPD, the proceeds raised from the initial public offering are utilised as follows:

<u>Details of utilisation</u>	<u>Proposed utilisation RM'000</u>	<u>Actual utilisation RM'000</u>	<u>Re-allocation RM'000</u>	<u>Balance unutilised RM'000</u>	<u>Estimated timeframe for utilisation upon Listing</u>
Acquisition of land for development	100,000	8,250	-	91,750	Within 36 months
Working capital for project development	35,192	22,618	1,819	14,393	Within 24 months
Repayment of bank borrowings	20,000	20,000	-	-	Within 12 months
Estimated listing expenses	11,208	9,389	(1,819)	-	Immediate
	<u>166,400</u>	<u>60,257</u>	<u>-</u>	<u>106,143</u>	

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED LTIP

The Proposed LTIP serves to align the interests of the Eligible Persons with the corporate goals and long-term objectives of the Group. The Proposed LTIP will provide the Eligible Persons with an opportunity to have equity participation in the Company and help achieve the objectives as set out below:

- (i) to serve as a long-term incentive plan to reward the Eligible Persons to align their interest with the corporate goals and objectives of the Group and allowing Eligible Persons through the LTIP Awards to have equity participation in the Group;
- (ii) to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of the Group;
- (iii) to attract and reward the Eligible Persons by allowing them through the LTIP Awards to participate in the Group's profitability and eventually realise any capital gains arising from appreciation in the value of the Shares;
- (iv) to motivate the Eligible Persons towards achieving improved performance through greater productivity and loyalty;
- (v) to inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company; and
- (vi) possibly retain the Eligible Persons, hence ensuring that the loss of key personnel is kept to a minimum level.

4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF THE GROUP

4.1 Overview and Outlook of the Malaysian Economy

In 2022, despite the headwinds throughout the year, the domestic economy expanded by 8.7% (2021: 3.1%). This was mainly due to the full upliftment of containment measures, resilient growth in exports, particularly commodity exports, revival of tourism activity and continued policy support. Nonetheless, the pace of recovery was uneven as some sectors still remained below pre-pandemic levels such as leisure-related services, mining and quarrying, agriculture and construction sectors. Gradual recovery in tourist arrivals, oil and gas facility closures for maintenance purposes, labour shortages and higher input prices have restrained the growth of these sectors.

Growth in 2022 was largely driven by domestic demand, mainly from firm private sector expenditure. Improved labour market conditions and wage growth led to an increase in household spending, supported by the realisation of pent-up demand and continued policy support. In line with the reopening of the economy, public and private investment improved significantly. The improvement was contributed by public infrastructure projects, resumption of construction activity, as well as continued investments by firms to automate and digitalise their operations. Furthermore, external demand remained resilient and provided support to the economic growth in 2022.

(Source: Economic and Monetary Review 2022, Bank Negara Malaysia)

In 2023, the global economy is projected to show a moderate growth of 3%, following slow growth in advanced economies; volatile financial market due to tightening monetary policy; prolonged geopolitical tensions; and increasing climatic changes, after anticipating a period of economic downturn. It is projected to persist across most regions in the upcoming years. Nevertheless, Malaysia's economy still remains resilient.

For the first half of 2023, the domestic economy continued to expand, with a favourable growth of 4.2%, underpinned by robust domestic demand buoyed by expansion in consumption and investment spending. The service sector contributed to the economy growth with higher tourist arrivals and improved consumer spending. Meanwhile, the acceleration of infrastructure projects and realization of investments in residential and non-residential developments helped to expand the construction sector. These developments cushioned the negative impact from the external sector and bolstered the economy's resilience.

Furthermore, other factors such as favourable labour market conditions, healthy foreign reserves, current account surplus, high national savings and robust financial sector also helped to boost the economy. The growth momentum is also supported by the Government's pragmatic measures and initiatives, specifically with the support by firm policies and action plans from the framework of Ekonomi Madani. For the full year of 2023, the economic growth is anticipated to expand around 4%.

For the second half of 2023, the economy is expected to grow moderately at 4% in line with growing domestic demand from higher tourist arrivals and improved consumer spending. Meanwhile, the enhancements in the domestic economy and improvement in labour market are expected to sustain growth momentum. Hence, the GDP is anticipated to register a growth of approximately 4% in 2023.

In line with the global economic outlook, the economy is expected to further expand at 4% - 5% in 2024, induced by stronger domestic demand. This is due to the expectations of private consumption being boosted through cash transfer by government to targeted groups and growing social commerce trend. On the other hand, private investment is poised to accelerate further driven by improved business environment in consonance with positive response towards Government's strategies and measures in attracting high-tech and high-value investments, increasing external demand.

The growth is foreseen to be broad-based, led by the services sector. The intermediate and final services groups are anticipated to rise further driven by sustained domestic consumption and improved export activities. Whereas the wholesale and retail trade subsector are anticipated to be the key contributor of the services sector, contributing an expected growth of 5.6%, with the expansion in retail segment through digital transactions. Retail trade, accommodation and restaurants as well as communication segments are expected to increase in line with consumption trend, while the wholesale trade segment and transport and storage subsector will benefit from higher trade-related activities. Hence, the nation's GDP is forecast to expand between 4% - 5% in 2024.

(Source: Economic Outlook 2024, Ministry of Finance)

In the third quarter of 2023, the domestic economy recorded a growth of 3.3% (2Q 2023: 2.9%). Expansion in domestic demand, continued improvement in labour market conditions, further recovery in tourism activities and higher construction activity are the drivers for growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 2.6% (2Q 2023: 1.5%). There is also a lower headline inflation at 2.0%, particularly a lower inflation on food and non-alcoholic beverages products of 4.1% (2Q 2023: 5.6%). Private consumption remained moderate at 4.6% (2Q 2023: 4.3%) in both necessities and discretionary spending, while public consumption grew at a rapid pace of 5.8% (2Q 2023: 3.8%), due to higher supplies and services spending.

(Source: Bank Negara Malaysia Quarterly Bulletin 3Q 2023, Bank Negara Malaysia)

4.2 Overview and Outlook of the Property Development Industry in Malaysia

Despite the challenging global financial and economic environment, the property development market managed to stay poised and posted a marginal softening in market activity in the first half of 2023 compared to the previous year. The property market performance is seen to moderate in the first half of 2023 despite a number of headwinds such as increasing borrowing costs, continuous downtrend in Consumer Sentiment Index and concerns on weaker external demands. As the national economy is projected to expand to the lower end of the 4% - 5% range in 2023 supported by continued resilient domestic growth prospects, the property market performance is expected to remain cautiously optimistic.

In the first half of 2023, the property market activity recorded a total of 184,140 transactions worth RM85.37 billion, reduce by 2.1% in volume but increased slightly by 1.1% in value against corresponding period. 32.1% (59,090) and 63.6% (117,129) of transfers were recorded in 2022 and 2023 respectively while the remaining percentage share was for prior years' transfers. Sectoral market activity performance declined marginally: residential (-1.0%), industrial (-2.5%) and agriculture (-12.4%) with the exception of commercial and development land sub-sector, which increased by 16.0% and 1.4% respectively.

The transactions for property development market is led by the residential sub-sector with a contribution of 62.4%, following by agriculture (19.8%) and commercial subsector (9.6%). Whereas the development land and others, and industrial both contributed 6.2% and 2.0% respectively. In terms of value, residential took the lead with 52.5% share, followed by commercial (19.6%), industrial (12.8%), agriculture (8.3%) and development land and others (6.8%).

(Source: Property Market Report First Half 2023, Valuation and Property Services Department by Ministry of Finance)

The outlook for the property sector in Malaysia in the second half of the year is expected to be positive, underpinned by the current healthy loan applications, higher loan approvals and potential new infrastructure projects. Loan applications are expected to retain positive growth as Bank Negara Malaysia has maintained a 3% OPR in November. In September 2023, the loan applications for purchase of properties recorded a growth of 15.6% on a yearly basis whilst the approvals of loan applications recorded a growth of 5%, signaling a better overall new sales outlook for the property sector. This indicated a strong property buying interest following the reopening of the country's borders and resumption of economic activities.

(Source: 2023 Property – Positive Outlook Intact, Malaysian Industrial Development Finance)

For 2023, the real estate and business services subsector is expected to grow 7.3%, with an increase of 9.8% in the first half and 5% in the second half of the year. The real estate segment is anticipated to grow with various Government's initiatives which include the affordable housing ownership scheme, the MADANI Neighbourhood rental scheme, 100% stamp duty exemption for first-time homeowners on purchase of properties valued up to RM500,000 and enhanced loan schemes under Syarikat Jaminan Kredit Perumahan Berhad. Additionally, it is anticipated that robust growth in the civil engineering and residential building subsectors will play a pivotal role in supporting the recovery of the construction sector for the remaining period of the Twelfth Plan. The construction sector continued to expand in tandem with the acceleration of infrastructure projects and realisation of investment in non-residential and residential developments. In 2024, the real estate and business services subsector is poised to grow by 5.4% attributed to sustained demand for professional services, owing to increase in non-residential and residential property transactions.

The non-residential buildings and residential buildings subsectors also registered positive growth in line with vibrant economic activities. For 2023, performance of the sector is expected to remain steady and grow by 6.3%. The residential buildings subsector is buoyed by Government's initiatives such as i-MILIKI and Housing Credit Guarantee Scheme in assisting first-time home buyers, spurring demand for home ownership. Similarly, the non-residential buildings subsector is envisaged to increase, particularly with the realisation of approved private investments. Hence, the sector is forecast to expand by 6.8% in 2024.

(Source: Economic Outlook 2024, Ministry of Finance)

4.3 Prospects of SkyWorld Group

The performance of the Group will be supported by progressive revenue recognised from ongoing projects and sales of completed inventories. As at the LPD, the Group's unbilled sales amounted to RM535.5 million.

Throughout 2023, the Group successfully launched two new developments with combined Gross Development Value ("GDV") of approximately RM1.2 billion, which underscores the Group's commitment to growth. Looking ahead, the Group is poised to launch additional developments with a combined GDV of not less than RM3.0 billion in the next 3 financial years. Furthermore, leveraging on the Group's healthy cash position and robust balance sheet, the Group is currently focusing on expanding its product offerings through strategic land acquisitions in the urban areas of Malaysia and Vietnam.

Despite challenging and uncertainties in both local and global economic outlook, the Board is cautiously optimistic that the financial and operation performances of the Group remains satisfactory in FYE 2024.

(Source: Management of the Group)

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5. EFFECTS OF THE PROPOSED LTIP

5.1 Issued share capital

The Proposed LTIP is not expected to have an immediate effect on the existing issued share capital of the Company until such time when the new Shares are issued pursuant to the Proposed LTIP. The issued share capital of the Company will increase progressively depending on the number of new Shares to be allotted and issued arising from the exercise of the ESOS Options that may be granted under the ESOS Award and / or pursuant to the vesting of new Shares under the PSGP Award. However, if existing Shares are to be transferred vide treasury shares or existing Shares to Eligible Persons pursuant to the Proposed LTIP, there will be no effect on the issued share capital of the Company.

For illustrative purposes, the proforma effects of the Proposed LTIP on the issued share capital of the Company based on the assumption that the number of LTIP Awards granted amounts to 10% of the total number of issued Shares of SkyWorld Development (excluding treasury shares, if any) as at the LPD, are set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Share capital as at the LPD	1,000,000	244,960	1,000,000	244,960
Number of Shares to be issued assuming full conversion of ICPS	(1) -	(1) -	(2)(3) 187,500	150,000
Total issued share capital	1,000,000	244,960	1,187,500	394,960
Shares to be issued pursuant to the Proposed LTIP	100,000	(4) 56,270	118,750	(4) 66,821
Enlarged issued share capital	1,100,000	301,230	1,306,250	461,781

Notes:

- (1) Assuming none of the outstanding ICPS are exercised into new SkyWorld Shares..
- (2) Assuming all 187,500,000 ICPS are fully converted at a conversion ratio of 1 ICPS into 1 new SkyWorld Share.
- (3) For information purposes, the ICPS shall only be converted within a period commencing from the third (3rd) anniversary of the issuance date of ICPS.
- (4) For illustrative purpose only, the indicative issue price is calculated based on RM0.5627, being equivalent to the 30MD-VWAMP of SkyWorld Shares up to and including the LPD.

5.2 Net assets ("NA") and gearing

Pursuant to the Proposed LTIP, save for the potential impact of Malaysian Financial Reporting Standards 2, on "Share-Based Payment" ("MFRS 2") issued by the Malaysian Accounting Standards Board, as elaborated in Section 5.3 of this announcement, the Proposed LTIP is not expected to have any immediate effect on the NA, NA per Share and gearing of the Group until such time when the new Shares are issued under the Proposed LTIP.

Any potential effect on the NA, NA per Share and gearing of the Group in the future will depend on factors such as the actual number of Shares to be issued which can only be determined at the point of the exercise of the ESOS Options, the Exercise Price and / or the vesting of the PSGP Awards.

5.3 Earnings and Earnings per Share ("EPS")

The Proposed LTIP is not expected to have any immediate material effect on the earnings and EPS of the Group until such time when the ESOS Options are vested and exercised and / or PSGP Awards are vested.

Any potential effects on the EPS of the Group in the future will depend on factors such as the number of ESOS Options vested and exercised, the Exercise Price payable upon the exercise of the ESOS Options under the Proposed ESOS and the number of Shares granted under the Proposed PSGP, as well as the non-cash expenses arising from the LTIP Awards under MFRS 2.

However, the EPS of the Group may be diluted as a result of the increase in total number of issued new Shares as and when the ESOS Options are exercised into new SkyWorld Shares under the Proposed ESOS as well as the number of new SkyWorld Shares issued under the Proposed PSGP, depending on the number of new SkyWorld Shares issued.

In accordance with MFRS 2, the cost arising from the issuance of the ESOS Options is measured by the fair value of the ESOS Options, which is expected to vest at each date of offer and is recognised as expense in the statements of profit or loss and other comprehensive income over the vesting period of the ESOS Options, thereby reducing the earnings of the Group. The fair value of the ESOS Options is determined after taking into consideration, amongst others, the historical volatility of the Shares, the risk-free rate, the Exercise Price of the ESOS Options and time to maturity of the ESOS Options from the vesting date of the ESOS Options. Hence, the potential effect on the EPS of the Group, as a consequence of the recognition of said cost, cannot be determined at this juncture.

Under the MFRS 2, the potential cost of awarding the Shares under the Proposed PSGP will need to be measured at fair value on the date of award and recognised as an expense in the statement of profit or loss and other comprehensive income of the Group over the vesting period of such Shares under the PSGP Award. The extent of the effect of the Proposed PSGP on the Group's EPS cannot be determined at this juncture as it would depend on the fair value of the PSGP Awards at the respective dates of the PSGP Award.

However, it is important to note that the potential cost of the award pursuant to the Proposed ESOS and Proposed PSGP does not represent a cash outflow and is only an accounting treatment. Nevertheless, the Company has taken note of the potential impact of the MFRS 2 on the Group's future earnings and shall take into consideration such impact on the allocation and award of ESOS Options and / or the Shares to the Eligible Persons.

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5.4 Substantial shareholders' shareholdings

The Proposed LTIP is not expected to have any immediate effect on the shareholdings of the substantial shareholders of SkyWorld Development until the new Shares are issued pursuant to the Proposed LTIP, which should result in a dilution in their shareholdings.

Any potential effect on their shareholdings will depend on the number of ESOS Options granted and new Shares to be issued arising from the exercise of the ESOS Options under the Proposed ESOS as well as the number of new SkyWorld Shares to be issued pursuant to the Proposed PSGP at the relevant point in time.

For illustrative purposes, assuming that the LTIP Awards are satisfied via the issuance of new SkyWorld Shares, the pro forma effects of the Proposed LTIP on the substantial shareholders' shareholdings are set out below:

Minimum Scenario

Substantial Shareholders	Shareholdings as at the LPD				After the Proposed LTIP			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(2) %	No. of Shares	(2) %
Datuk Seri Ng Thien Phing	424,373,952	42.44	-	-	424,373,952	38.58	-	-
Datuk Lam Soo Keong @ Low Soo Keong	102,757,679	10.28	-	-	102,757,679	9.34	-	-
Lee Chee Seng	50,082,469	5.01	-	-	⁽³⁾ 50,082,469	4.55	-	-

Notes:

- (1) Computed based on the total number of issued Shares of the Company of 1,000,000,000 Shares as at the LPD.
- (2) Computed based on the enlarged number of issued Shares of the Company of 1,100,000,000 (assuming 100,000,000 are issued pursuant to the Proposed LTIP to the Eligible Persons under the Minimum Scenario).
- (3) Assuming no provision has been made for the allotment of LTIP Awards to Lee Chee Seng as the LTIP Committee has yet to decide on the quantum to be allocated to Eligible Persons.

Maximum Scenario

Substantial Shareholders	Shareholdings as at the LPD				Shareholdings assuming full conversion of the ICPS				After the Proposed LTIP			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(2) %	No. of Shares	(2) %	No. of Shares	(3) %	No. of Shares	(3) %
Datuk Seri Ng Thien Phing	424,373,952	42.44	-	-	558,625,407	47.04	-	-	558,625,407	42.77	-	-
Datuk Lam Soo Keong @ Low Soo Keong	102,757,679	10.28	-	-	141,469,628	11.91	-	-	141,469,628	10.83	-	-
Lee Chee Seng	50,082,469	5.01	-	-	61,619,065	5.19	-	-	⁽⁴⁾ 61,619,065	4.72	-	-

Notes:

- (1) Computed based on the total number of issued Shares of the Company of 1,000,000,000 Shares as at the LPD.
- (2) Computed based on the total number of issued Shares of the Company of 1,187,500,000 Shares assuming full conversion of the ICPS.
- (3) Computed based on the enlarged number of issued Shares of the Company of 1,306,250,000 (assuming 118,750,000 are issued pursuant to the Proposed LTIP to the Eligible Persons under the Maximum Scenario).
- (4) Assuming no provision has been made for the allotment of LTIP Awards to Lee Chee Seng as the LTIP Committee has yet to decide on the quantum to be allocated to Eligible Persons.

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5.5 Convertible securities

Save for the 187,500,000 ICPS, the Company does not have any other outstanding convertible securities as at the LPD. For the avoidance of doubt, the Proposed LTIP will not have any impact to the ICPS.

6. APPROVALS REQUIRED

The Proposed LTIP is subject to the following approvals being obtained:

- (i) the approval from Bursa Securities for the listing of and quotation for such number of new Shares, representing up to 10% of the Company's total number of issued shares (excluding treasury shares of the Company, if any) that may be issued on the Main Market of Bursa Securities pursuant to the Proposed LTIP;
- (ii) the approval of the shareholders of SkyWorld Development (including the waiver of pre-emptive rights under Section 85(1) of the Act read together with Clause 12(3) of the Constitution of the Company) at an extraordinary general meeting ("EGM") to be convened; and
- (iii) the approvals / consents of any other relevant authorities / parties, if required.

The Proposed LTIP is not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER, CHIEF EXECUTIVES AND / OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, major shareholder, chief executives of the Company and / or persons connected with them are deemed interested, direct or indirect, in the Proposed LTIP.

Lee Chee Seng (in his capacity as the CEO of SkyWorld Development) is entitled to participate in the Proposed LTIP and is therefore deemed interested in the Proposed LTIP by virtue of his eligibility for the LTIP Awards and in respect of his proposed allocations as well as the proposed allocations to persons connected with him under the Proposed LTIP, if any.

Lee Chee Seng has abstained and will continue to abstain from all Board deliberations (in his capacity as the CEO of SkyWorld Development) and voting and will abstain from voting in respect of his direct and / or indirect shareholdings, if any, at the EGM of the Company to be convened on the ordinary resolutions to be tabled for his proposed allocations, if any, as well as the proposed allocations to the persons connected to him, if any.

Lee Chee Seng has also undertaken that he will ensure that persons connected with him, if any, will abstain from voting in respect of their direct and / or indirect shareholdings, if any, in the Company, on the ordinary resolutions pertaining to their respective proposed allocations at the EGM of the Company to be convened, if any.

For the avoidance of doubt, the Proposed LTIP is not extended to the Non-Eligible Executive Directors and the Non-Executive Directors of the Company. Accordingly, no LTIP Awards shall be granted to the Non-Eligible Executive Directors and Non-Executive Directors of the Company.

The shareholdings of the Directors as at the LPD are as below:

	Direct	
	No. of Shares	(1) %
<u>Directors and Major Shareholders</u>		
Datuk Seri Ng Thien Phing	424,373,952	42.44
Datuk Lam Soo Keong @ Low Soo Keong	102,757,679	10.28
<u>Directors</u>		
Lee Chee Seng (CEO of SkyWorld Development)	50,082,469	5.01
Chan Seng Fatt	-	-
Ong Soo Chan	100,000	0.01
Phang Sze Fui	100,000	0.01
Zalinah Binti A Hamid	-	-

Note:

(1) Based on the total number of issued SkyWorld Shares of 1,000,000,000 as at the LPD.

8. DIRECTORS' STATEMENT

The Board (save for Lee Chee Seng who has abstained from forming any opinion and making any recommendations relating to his proposed allocations as well as the proposed allocations to persons connected to him, if any), after having considered all aspects of the Proposed LTIP, which include, but are not limited to, the basis, the rationale and justification as well as the effects of the Proposed LTIP, is of the opinion that the Proposed LTIP is in the best interest of the Company.

Lee Chee Seng has abstained and will continue to abstain from deliberating and making any recommendations at all relevant Board meetings (in his capacity as the CEO of SkyWorld Development) in relation to his allocation as well as allocations to persons connected with him, if any, under the Proposed LTIP. He will also abstain and has undertaken that he will ensure that the persons connected to him, if any, will abstain from voting in respect of their direct and / or indirect interests in SkyWorld Development, on the resolutions pertaining to his allocations as well as allocations to persons connected to him, if any, under the Proposed LTIP at the EGM of the Company to be convened.

As of this juncture, the Company has not proposed any allocation to Lee Chee Seng and / or persons connected to him under the Proposed LTIP. Therefore, no resolution and shareholders' approval for any proposed allocation to Lee Chee Seng and / or persons connected to him under the Proposed LTIP will be sought at the EGM of the Company to be convened. In the event the Company proposes to allocate to Lee Chee Seng and / or persons connected to him under the Proposed LTIP, the Company will seek the shareholders' approval at a general meeting.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed LTIP is expected to be implemented by the 4th quarter of 2024.

10. APPLICATION TO THE RELEVANT AUTHORITIES

The application to Bursa Securities in relation to the Proposed LTIP is expected to be made within 1 month from the date of this announcement.

11. ADVISER

Kenanga IB has been appointed by the Company to act as the Principal Adviser for the Proposed LTIP.

This announcement is dated 29 March 2024.