

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

PROPOSED VARIATION FOR THE UTILISATION OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING (“PROPOSED VARIATION”)

1. INTRODUCTION

Reference is made to the utilisation of proceeds raised from the public issue under the initial public offering (“IPO”) of the Company as disclosed in the Company’s prospectus dated 20 June 2023 that was issued in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Prospectus**”).

The Board of Directors of SkyWorld Development (“**Board**”) wishes to announce that the Company intends to undertake the Proposed Variation.

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

2. DETAILS OF THE PROPOSED VARIATION

The Company had completed its IPO exercise on 10 July 2023 (“**Listing Date**”) and had raised gross proceeds of approximately RM166.40 million from the public issue under the IPO (“**Public Issue Proceeds**”).

As at 6 May 2024, being the latest practicable date prior to the date of this announcement (“**LPD**”), the Company has yet to utilise approximately RM91.75 million of the Public Issue Proceeds earmarked for acquisition of land for development. After taking into consideration the shift in business landscape post IPO, the Company wishes to have some degree of flexibility on utilising its proceeds and proposes to vary such unutilised amount as set out below:

<u>Details of utilisation</u>	<u>Proposed Variation</u>	<u>Proposed utilisation RM’000</u>	<u>Actual utilisation as at the LPD 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 ⁽¹⁾	Acquisition of land <u>in Peninsular Malaysia</u> for development ⁽²⁾	100,000	8,250	-	91,750	Within 36 months
Working capital for project development	No variation	35,192	22,618	1,819	14,393	Within 24 months
Repayment of bank borrowings	No variation	20,000	20,000	-	-	Within 12 months
Estimated listing expenses	No variation	11,208	9,389	(1,819)	-	Immediate
Total		166,400	60,257	-	106,143	

Notes:

- (1) As disclosed in the Prospectus, the Company has allocated RM100.00 million representing 60.10% of the Public Issue Proceeds for acquisition of landbank within the vicinity of the Company’s existing landbank in Klang Valley including Kuala Lumpur and the state of Selangor for the Company’s future development. As at the LPD, the Company had utilised RM8.25 million for the acquisition of land as follows:

- a) *RM5.25 million as part payment for the Joint Venture Entitlement to the land owner of 3.34 acres of land located in Taman Sri Murni, Mukim of Batu, Kuala Lumpur. The payment is subject to refund if conditions outlined in the joint venture agreement are not met.*
- b) *RM3.00 million as payment of refundable deposit for the acquisition of 3.36 acres of land located in Bandar Selayang, Gombak, Selangor.*

*The Company will make the necessary announcements in accordance with the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") (if required) as and when SkyWorld and its subsidiaries ("**SkyWorld Group**" or "**Group**") enters into any agreement to acquire the lands.*

- (2) *The Proposed Variation is intended for the Company to widen the locality of lands to throughout Peninsular Malaysia in which the Company is able to acquire using the proceeds raised pursuant to the IPO instead of limiting the locality to lands within the Klang Valley including Kuala Lumpur and the state of Selangor as disclosed in the Prospectus.*

Pending the eventual utilisation of the remaining Public Issue Proceeds earmarked for the acquisition of landbank, the proceeds will continue to be placed in interest-bearing accounts with licenced financial institutions in Malaysia and / or money market deposit instruments / funds. The interests derived or gains arising from the money market deposit instruments / funds will be used as additional working capital requirements for the Company.

In accordance with paragraph 8.22(2)(a) of the Listing Requirements, a change to the utilisation of proceeds is considered material if such change is 25% or more of the total proceeds raised. As such, the Proposed Variation is deemed a material change to the use of the Public Issue Proceeds as the change in utilisation of RM100.00 million represents approximately 60.10% of the Public Issue Proceeds. Accordingly, the approval of the shareholders of SkyWorld Development for the Proposed Variation is required to be obtained at an Extraordinary General Meeting ("**EGM**").

3. RATIONALE OF THE VARIATION

Malaysia's residential property market continued its recovery momentum in the second half of 2023 to above pre-pandemic levels, with further improvements in market activity against the backdrop of expansion in domestic demand and improving labour market conditions, which bolstered the demand for housing. The momentum of the property market is expected to persist, supported by various government initiatives to promote homeownership, as well as competitive financing conditions. While transactions have trended higher across all key states, it has indicated a healthy market outlook.

More than three-quarters of residential property transactions were for the purchase of properties in the more affordable mass-market segment. However, challenges are expected to persist for the housing affordability issues in the near term given elevated construction costs, which are likely to be passed on by developers to home buyers, and fewer launches relative to the pre-pandemic years constraining supply, particularly in the affordable housing segment.

In line with the above and to accelerate our business growth trajectory, the Group has embarked on the exploration of suitable land for development outside of Klang Valley. After careful consideration of the expansion requirements without resorting to external borrowings immediately which would result in increase in gearings and financing costs, the Board is of the view that the Proposed Variation would offer greater flexibility in the Group's capital commitments. This includes, but not limited to, acquiring land for development across Peninsular Malaysia e.g. Northern and Southern region. Thus, this will allow the Group to diversify its property portfolio and cater to different market segments as well as capturing a larger market share. Eventually, this would provide a robust pipeline of developments over the longer term, thereby enhancing the long-term viability of the Group's business and financial performance.

Premised on the above, the Board is of the view that it is in the best interest of the Group to undertake the Proposed Variation.

4. EFFECTS OF THE PROPOSED VARIATION

The Proposed Variation will not have any effect on the issued share capital, substantial shareholders' shareholdings, net assets and earnings per share of the Group for the Financial Year Ending ("FYE") 31 March 2025. The Proposed Variation is expected to contribute positively to the future earnings of SkyWorld Group as and when the benefits of the revised utilisation of the proceeds are realised.

5. APPROVALS REQUIRED

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

- (i) the approval of the shareholders of SkyWorld Development at an EGM to be convened;
and
- (ii) the approvals / consents of any other relevant authorities / parties, if required.

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

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

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 Variation.

7. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Variation, which include, but are not limited to, the rationale and justification as well as the effects of the Proposed Variation, is of the opinion that the Proposed Variation is in the best interest of the Company.

8. ESTIMATED TIMEFRAME FOR COMPLETION

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

This announcement is dated 15 May 2024.