



SLB Development Ltd.

(Incorporated in the Republic of Singapore under Registration No. 201729864H)

APPLICATION FOR THIRD EXTENSION OF TIME FOR NEW LIAN BENG GROUP TO COMPLY WITH UNDERTAKING TO THE COMPANY

The board of directors (the “**Board**” or the “**Directors**”) of SLB Development Ltd. (the “**Company**” and together with its subsidiaries, the “**SLB Group**”) refers to its announcements dated 4 April 2019 and 22 May 2020, and wishes to update that the Company had received a request from its controlling shareholder, Lian Beng Group Ltd (“**LBG**”) for a third extension of time for LBG, its subsidiaries and associated companies (excluding the SLB Group) (the “**New Lian Beng Group**”) to comply with certain undertakings pursuant to the Company’s listing on the Catalist on 20 April 2018.

1. INTRODUCTION

- 1.1 As disclosed in page 170 of the offer document dated 11 April 2018 in relation to the Company’s listing (the “**Offer Document**”), LBG’s business included the business of property development prior to the Company’s listing.
- 1.2 In order to mitigate potential conflicts of interest arising from competing business of the New Lian Beng Group with the SLB Group post-listing, the New Lian Beng Group had voluntarily undertaken to SLB Group to carry out the following:
- 1.2.1 To sell the balance unsold units in a freehold condominium development and subsequently the initiation of the winding up and/or liquidation of Phileap Pte. Ltd by 19 April 2021; and
- 1.2.2 To dispose of the remaining two properties in Australia by 19 April 2022 (the “**Properties**”),
- (collectively, the “**Voluntary Disposal Undertaking**”).
- 1.3 LBG had informed the Company on 9 April 2021 that a further extension of time for the New Lian Beng Group to comply with the Voluntary Disposal Undertaking to 19 April 2023 (“**Extended Deadline**”) was requested in relation to the sale of the 2 balance units in the condominium development and subsequently the initiation of the winding up and/or liquidation of Phileap Pte. Ltd. (“**Third Extension**”).
- 1.4 After due consideration, the Company applied to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) through its Sponsor, SAC Capital Private Limited, to grant the aforesaid extension of time to LBG. On 25 May 2021, the SGX-ST informed the Company that it had no objections to granting an extension of time for the New Lian Beng Group to fulfil its obligations under the Voluntary Disposal Undertaking, by the Extended Deadline, subject to the Company making an SGXNet announcement on the following:
- (a) The Third Extension deadline to fulfil the Voluntary Disposal Undertaking in relation to the sale of balance units in the freehold condominium development and subsequently the initiation of the winding up and/or liquidation of Phileap Pte. Ltd., and the rationale for seeking such extension;
- (b) New Lian Beng Group’s revised action plan to ensure that the New Lian Beng Group will be able to fulfil the Voluntary Disposal Undertaking in relation to the sale of the balance units in the freehold condominium development and subsequently the initiation of the winding up and/or liquidation of Phileap Pte. Ltd. by the Third Extension deadline

and to address any potential conflicts of interest, including the ROFR granted to the Company; and

- (c) The Audit Committee's views (and bases) that the Third Extension is not prejudicial to the interests of the Company and its minority shareholders as no conflicts of interest will arise prior to the completion of disposal of the Properties.

2. RATIONALE FOR EXTENSION

2.1 Based on the information provided by LBG, the Company understands that LBG was unable to fulfil the Voluntary Disposal Undertaking due to the following reasons:

2.1.1 The New Lian Beng Group has faced difficulties in selling the balance 2 units

- (a) The balance unsold units in the freehold condominium development located in District 11, a premium location in Singapore and therefore priced at a premium. Following listing, the joint venture partners had appointed a top tier agency as the sole marketing agent to market the remaining units. It had also converted 1 of the units into a showroom to facilitate physical viewings, of which over 121 viewings have been conducted as at the date of the Company's application to the SGX-ST for the Third Extension.
- (b) These efforts have proven partially successful as the joint venture partners have managed to sell 3 units during the past 12 months, one of which was the converted showroom. In total, 4 units out of 6 units have been sold to-date. The 2 remaining units are penthouse units, catering to the luxury market. With the border and travel restrictions imposed by the Singapore government designed to restrict the spread of the COVID-19 disease, the target audience for such luxury properties (being mainly affluent foreign individuals) have not been able to physically travel to Singapore for viewings and are understandably hesitant to commit such large capital based solely on virtual viewings. The difficulties are further compounded by multiple new launches in Districts 9 and 10 in 2020 which have better positioning and provide buyers with greater choice compared to the remaining 2 units which was completed in 2014.

2.1.2 The COVID-19 pandemic affected the Company's efforts to sell the units

- (a) The COVID-19 pandemic which affected much of 2020 had impacted the New Lian Beng Group's sale efforts. In this regard, the New Lian Beng Group's efforts during the circuit breaker period from April to June 2020 had been severely curtailed as there was no way to conduct physical viewings and thereafter, physical viewings had to be limited to comply with prevailing safe distancing measures. No virtual viewings were conducted as the potential customers did not want to commit to property purchases without seeing the properties in person.
- (b) The Monetary Authority of Singapore had also cautioned buyers on 1 December 2020 to exercise prudence when taking up new debt or committing to property purchases, due to an uncertain outlook for the Singapore economy and elevated resident unemployment amid the COVID-19 pandemic¹.
- (c) As such, with the COVID-19 pandemic continuing to disrupt livelihoods all around the globe, both foreign and local buyers are more cautious in purchasing residential properties and therefore the New Lian Beng Group being unsuccessful in its attempts to completely dispose of the Properties. Any hasty sale by the New Lian Beng Group to attempt to offload the remaining two premium units would not be in the best interests of its shareholders as it might negatively impact shareholder value.

¹ Information was extracted from the news article titled "Households urged by MAS to stay prudent when taking up debt or buying property" published by the Straits Times at <https://www.channelnewsasia.com/news/singapore/households-mas-stay-prudent-debt-property-covid-19-13674476>

2.1.3 The interest held by the New Lian Beng Group in the Properties is a minority stake and the New Lian Beng Group is reliant on its joint venture partners

- (a) The interest held by the New Lian Beng Group in the Properties is a minority interest of 30% or less. As such, the New Lian Beng Group does not have control over the board of Phileap Pte. Ltd. and is reliant on the cooperation of its joint venture partners to assist in the sale of the Properties, particularly as the management and handling of the daily operations of Phileap Pte. Ltd. are the responsibility of the joint venture partners.
- (b) During the last 12 months, the New Lian Beng Group has been working actively with its joint venture partners to source for suitable buyers for the disposal of the unsold units. However, due to the impact of the COVID-19 pandemic on the property market as detailed in paragraph 2.1.2, the joint venture partners of the New Lian Beng Group did not manage to locate buyers for all the units on mutually agreeable commercial terms. The joint venture partners have agreed to take further measures to facilitate the sale of the remaining 2 units as set out in paragraph 2.2.1 below.

2.2 **Bases for Extension**

2.2.1 The New Lian Beng Group has revised its action plan to fulfil the Disposal Undertaking

As the strategy of converting a unit into a showroom has been successful, the joint venture partners had agreed in November 2020 to convert one of the remaining unsold penthouse units into a showroom unit as part of the marketing efforts, in the hopes of facilitating the sale of both units by the Third Extension. The renovation works have been completed in March 2021 and viewings are being conducted by the marketing agent.

2.2.2 The disruption caused by the COVID-19 pandemic is ongoing

- (a) With the COVID-19 pandemic still raging around various parts of the world and disrupting livelihoods and normal ways of life, the New Lian Beng Group anticipates that potential purchasers will be wary of making large commitments by way of property purchase as governments around the world attempt to stop the spread of contagious disease which has been ongoing for the past year.
- (b) Notwithstanding that COVID-19 vaccines have been developed and vaccination efforts are underway, governments will still need to monitor the efficacy of the vaccines and calibrate efforts to relax border and travel restrictions. As such, it is not likely that international travel will revert to pre-pandemic times in the short term. This would affect the ability of affluent foreign individuals to travel to Singapore to view the units, which in turn would mean a smaller potential pool of customers.
- (c) Further, governments have been issuing various relief packages in the past year in an attempt to cushion the impact of the COVID-19 pandemic on the populace. As the pandemic continues, these relief measures are being unwound or adjusted in order to alleviate pressure on state finances. It remains to be seen how demand for property (particularly luxury units) will be affected when such relief measures cease.

2.3 In light of the above, the New Lian Beng Group was unable to fulfil the Voluntary Disposal Undertaking and accordingly an extension of time was sought to comply with its obligations thereunder.

3. **MEASURES AND/OR OVERSIGHT IN PLACE TO MONITOR COMPLIANCE WITH THE VOLUNTARY DISPOSAL UNDERTAKING AND ADDRESS POTENTIAL CONFLICTS OF INTEREST**

3.1 Monitoring the progress of the Voluntary Disposal Undertaking on a half-yearly basis

3.1.1 The Audit Committee's terms of reference include, *inter alia*, the monitoring whether the terms of the undertakings provided to the Company have been complied with, including

the Voluntary Disposal Undertaking.

3.1.2 The Audit Committee delegates the Company's management to obtain periodic updates from LBG's management regarding the status of the disposal of the unsold properties. Such updates are discussed and noted during the half-yearly Audit Committee meetings of the Company. Hence, no additional measures and/or oversight will be put in place at this juncture.

3.2 No conflict of interest in relation to unsold condominium units in Singapore

The construction of the freehold condominium development has been completed in 2014 and the New Lian Beng Group is not undertaking further development works in relation to the aforesaid development. Phileap Pte. Ltd. will be wound up or liquidated as soon as practicable. As such, there is no conflict of interest in relation to these completed unsold units.

4 AUDIT COMMITTEE'S VIEWS ON THE EXTENSION

Having considered, *inter alia*, the rationale for the extension of time as set out in paragraph 2, the measures and/or oversight in place to monitor compliance with the Voluntary Disposal Undertaking and address potential conflicts of interest as set out in paragraph 3, and that the New Lian Beng Group's request for an extension of time is to obtain suitable commercial terms for the disposal of the Properties, the Audit Committee is of the view that the extension of time is not prejudicial to the Company and its minority shareholders.

By Order of the Board

Ong Eng Keong
Executive Director and Chief Executive Officer
28 May 2021

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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