



SLB Development Ltd.

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

APPLICATION FOR 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**”) wishes to announce that the Company had received a request from its controlling shareholder, Lian Beng Group Ltd (“**LBG**”) for an 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 within 12 months from the listing date of the Company:
 - 1.2.1 To dispose of the remaining three properties of the New Lian Beng Group in Australia with development potential; and
 - 1.2.2 To wind up or liquidate Phileap Pte. Ltd. and Mountbatten Development Pte. Ltd.,
(collectively, the “**Voluntary Disposal Undertaking**”).
- 1.3 LBG had informed the Company on 13 March 2019 that the following properties and/or companies which are the subject of the Voluntary Disposal Undertaking (collectively, the “**Properties**”) have not yet been disposed of:
 - 1.3.1 The Ranwell Property in Brisbane, Australia (“**Ranwell Property**”), or in the alternative the sale of LBG’s 30% shareholding interest in the Ranwell Property special purpose vehicle (“**SPV**”) which owns the Ranwell Property;
 - 1.3.2 The Wickham Property in Brisbane, Australia (“**Wickham Property**”), or in the alternative the sale of LBG’s 10% effective shareholding interest in the Wickham Property SPV which owns the Wickham Property; and
 - 1.3.3 The liquidation, winding up, or striking-off of Phileap Pte. Ltd., or in the alternative the sale of LBG’s 25% shareholding interest in Phileap Pte. Ltd., which is the SPV holding some unsold units in a freehold condominium development in Singapore.
- 1.4 Due to the reasons set out in paragraph 2 below, LBG sought the Company’s consent to extend the deadline to fulfil the Voluntary Disposal Undertaking by 12 months, to 19 April 2020 (the “**Extended Deadline**”). 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 1 April 2019, 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 announcing the following:

- 1.4.1 The Extended Deadline to fulfil the Voluntary Disposal Undertaking and the rationale for seeking such extension;
- 1.4.2 The measures and/or oversight in place to ensure that the New Lian Beng Group will be able to fulfil the Voluntary Disposal Undertaking by the Extended Deadline and address any potential conflicts of interest; and
- 1.4.3 The Audit Committee's views (and bases) on whether the Extended Deadline will be prejudicial to the Company and its minority shareholders.

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 Unforeseen changes in market conditions of the property industry in Australia and Singapore

- (a) The property development business is subject to prevailing macro-economic conditions over which the New Lian Beng Group has no control. In respect of the Singapore property industry, the Singapore government announced on 5 July 2018 a new range of cooling measures, including higher Additional Buyers Stamp Duty of 5% and tighter borrowing limits. In respect of the Australian property industry, the performance of the housing market declined in 2018¹ due to the supervisory measures introduced by the Australian Prudential Regulation Authority between 2014 to 2017 on banks to reinforce sound mortgage lending practices amid concerns about heightened risks surrounding rising housing prices, rising household indebtedness and historically low interest rates. Such measures include limiting investment lending to 10% a year on housing investor loan growth and restricting the flow of new interest-only loans to 30% of total new residential mortgage lending written by a bank².
- (b) As a result of the aforesaid macro-economic conditions in Singapore and Australia and given the weakened performance of the property industry in both Singapore and Australia, buyers are more cautious in purchasing residential properties due to the softening demand. This resulted in the New Lian Beng Group being unsuccessful in its attempts to dispose of the Properties despite efforts such as the appointing of real estate agents for the Ranwell Property and the Wickham Property and potential offers received for the Wickham Property and the unsold condominium units in Singapore. None of the offers developed into binding agreements for sale as the parties were unable to agree on the commercial terms of sale.

2.1.2 The interest held by the New Lian Beng Group in the Properties is a minority stake

- (a) The interest held by the New Lian Beng Group in the Properties is a minority interest of 30% or less. As a minority partner, the New Lian Beng Group is dependent on its majority joint venture partners to assist in the sale of the Properties. During the last 12 months, the New Lian Beng Group has been working actively with its joint venture partners to

¹ Information and statistics were extracted from the news article titled "Australia to see world's worst 2019 house price fall" published by the Australian Broadcasting Corporation at <https://www.abc.net.au/news/2019-01-16/australia-to-see-worst-fall-in-house-prices/10720406> accessed on 21 February 2019.

² Information and statistics were extracted from APRA's news release titled "APRA announces further measures to reinforce sound residential mortgage lending practices" published on 31 March 2017 at <https://www.apra.gov.au/media-centre/media-releases/apra-announces-further-measures-reinforce-sound-residential-mortgage> accessed on 11 March 2019.

source for suitable buyers for the disposal of the Properties. However, due to the weakened property market as detailed in paragraph 2.1.1, the joint venture partners of the New Lian Beng Group did not manage to locate buyers for the Properties on mutually agreeable commercial terms.

2.1.3 The New Lian Beng Group has developed an action plan to sell the Properties by the Extended Deadline

- (a) Notwithstanding the challenging residential property markets in Australia and Singapore, the New Lian Beng Group will continue to work with its joint venture partners to explore potential opportunities to dispose of all the Properties in an expeditious manner in order to comply with the Extended Deadline. In this regard and barring any unforeseen circumstances, the New Lian Beng Group is cautiously optimistic that with the recent removal on interest-only lending restrictions in Australia in January 2019, the Australian property markets will begin to recover and the chances of concluding sales of the Ranwell Property and the Wickham Property will increase.
- (b) The New Lian Beng Group will, in addition to relying on its joint venture partners' assistance to sell the actual Properties, devote further resources to explore a sale of its minority equity interest in the Properties to interested purchasers concurrent with the SPV's efforts to dispose of the Properties, who may either be the existing joint venture partners or to other third parties. This will provide an alternative avenue to dispose of the Properties without requiring all joint venture partners to sell the Properties which may continue to be held by the joint venture partners for their land bank.
- (c) In relation to the unsold condominium units in Singapore, the New Lian Beng Group is in discussions with its joint venture partners to furnish an existing unit as a showroom flat to aid in the marketing and sale of the said units, whether collectively or individually, by the Extended Deadline.

2.2 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 quarterly basis

3.1.1 As disclosed in page 180 of the Offer Document, 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 quarterly updates from LBG's management regarding the status of the disposal of the Properties. Such updates are discussed and noted during the quarterly Audit Committee meetings of the Company.

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

3.2.1 The construction of the condominium has been completed 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 or in the alternative the sale of LBG's 25% shareholding interest in Phileap Pte. Ltd.

3.3 Mitigation of potential conflict of interest for the Ranwell Property and Wickham Property

- 3.3.1 LBG has informed that the New Lian Beng Group has no intention to proceed with the development of the Ranwell Property and Wickham Property. However, in the event that the Ranwell Property and the Wickham Property are scheduled to undergo development prior to the New Lian Beng Group's disposal of the aforesaid properties, and in order to comply with the Non-Compete Undertaking, the New Lian Beng Group will grant the Company a right of first refusal to purchase the New Lian Beng Group's shareholding interest in the Ranwell Property SPV and the Wickham Property SPV so that the property development activities will be undertaken by the SLB Group, on terms to be mutually agreed. Such right shall be exercisable in the Company's sole and absolute discretion.
- 3.3.2 The transaction will constitute an "interested person transaction" within the meaning of Chapter 9 of the Catalist Rules and will be governed by the relevant Catalist Rules thereunder. Should the Company's Board decide not to proceed with the purchase of the New Lian Beng Group's shareholding interest the Ranwell Property and/or the Wickham Property, the New Lian Beng Group will continue to procure the sale of its entire stake in the SPVs holding the Ranwell Property and Wickham Property to third parties or to the respective joint venture partners before the development of the Ranwell Property and Wickham Property commences. In addition, the New Lian Beng Group will not partake in all decisions and matters in relation to the redevelopment of the Ranwell Property and Wickham Property.

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
4 April 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

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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