



**SLB Development Ltd.**

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

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

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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 announcement dated 4 April 2019 and wishes to announce that the Company had received a request from its controlling shareholder, Lian Beng Group Ltd (“**LBG**”) for a second 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 On 4 April 2019, the Company announced that an extension of time had been granted for LBG to comply with the Voluntary Disposal Undertaking by 19 April 2020.
- 1.4 LBG had informed the Company on 6 March 2020 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:
  - 1.4.1 The property at 29 Ranwell Lane, Fortitude Valley, QLD 4006, Brisbane, Australia (“**Ranwell Property**”), or in the alternative the sale of LBG’s 30% shareholding interest in Fortitude Valley (Hotels) Pty Ltd, the special purpose vehicle (“**SPV**”) which owns the Ranwell Property;
  - 1.4.2 The property at 186 Wickham Street Fortitude Valley, QLD 4006, Brisbane, Australia (“**Wickham Property**”), or in the alternative the sale of LBG’s 30%<sup>1</sup> effective shareholding interest in 186 Wickham Street (Residential) Pty Ltd the SPV which owns the Wickham Property; and
  - 1.4.3 The liquidation, winding up, or striking-off of Phileap Pte. Ltd., or in the alternative the

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<sup>1</sup> The effective interest held by LBG in the Wickham Property had increased from 10% to 30% following the acquisition by LBG together with its Singapore joint venture partners of a further 67% interest in the SPV. Notwithstanding the acquisition, the New Lian Beng Group still endeavors to comply with the Disposal Undertaking. Please refer to LBG’s announcement on 31 July 2019 for details.

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.

- 1.5 Due to the reasons set out in paragraph 2 below and upon considering the differing circumstances for the Singapore and Australian properties, LBG sought the Company's consent to extend the deadline to fulfil the Voluntary Disposal Undertaking as follows (the "**Extended Deadline**"):
  - 1.5.1 An extension of time to 19 April 2021 in relation to the sale of the balance units in the freehold condominium development in Singapore and subsequently the initiation of the winding up and/or liquidation of Phileap Pte. Ltd.; and
  - 1.5.2 An extension of time to 19 April 2022 in relation to the disposal of the remaining two properties in Australia (details of which are set out in paragraphs 2.1.2 and 2.1.3 below).
- 1.6 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 21 May 2020, 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:
  - 1.6.1 The Extended Deadline to fulfil the Voluntary Disposal Undertaking and the rationale for seeking such extension;
  - 1.6.2 The New Lian Beng Group's revised action plan and 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
  - 1.6.3 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 Oversupply in the property industry in Singapore and weakness in Brisbane property market
    - (a) The property development business is subject to prevailing macro-economic conditions which are beyond the control of the New Lian Beng Group. In respect of the Singapore property industry, the Monetary Authority of Singapore cautioned buyers on 28 November 2019 to be mindful of risks and remain prudent, due to ongoing uncertainties in the economic outlook, a softening labour market and a large supply of unsold units in the medium term<sup>2</sup>. Analysts also calculated that based on an overhang of 31,948 units as of 30 September 2019, it will take almost four years to clear the backlog based on existing sales rates<sup>3</sup>.
    - (b) Given the excess supply, prevailing macro-economic sentiments and as the property market continues to reel from the cooling measures implemented in 2018, buyers are

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<sup>2</sup> Information and statistics were extracted from the news article titled "Uncertain economic outlook, unsold supply may weigh on private home market: MAS" published by The Straits Times at <https://www.straitstimes.com/business/property/uncertain-economic-outlook-unsold-supply-may-weigh-on-private-home-market-mas> accessed on 14 January 2020

<sup>3</sup> Information and statistics were extracted from the news article titled "Singapore has a property glut that could take years to clear" published by The Straits Times at <https://www.straitstimes.com/business/property/singapore-has-a-property-glut-that-could-take-years-to-clear> accessed on 14 January 2020

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 (further details of which are found in paragraph 2.1.3).

- (c) In relation to the Brisbane property market, the property prices have been sluggish for the past few years due to the weak Queensland economy, the high level of residential supply and the strict lending rules by the banks imposed by the Australian Prudential Regulation Authority (“APRA”) in 2014<sup>4</sup>. With the recent easing of the residential mortgage lending rules by APRA in July 2019, wherein APRA removed the mandatory requirement for banks to charge an interest rate floor of 7% on residential mortgage lending<sup>5</sup>, it is forecasted that the property price growth in Brisbane may materialise as a result of cheaper credit and interest rate cuts<sup>6</sup>.
- (d) Notwithstanding the loosening of the lending rules by the banks, the New Lian Beng Group has been facing issues in selling in the Australia properties (further details of which are particularised in paragraphs 2.1.2 and 2.1.3), and hence will require more time to consummate the sale of both the Ranwell Property and Wickham Property in the next 2 years.

2.1.2 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 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 source for suitable buyers for the disposal of the Properties. However, due to the weakened property market, the joint venture partners of the New Lian Beng Group did not manage to locate buyers for the Properties on mutually agreeable commercial terms, save for 3 out of the 6 units in the freehold condominium development in Singapore.
- (b) In addition, there was a change in the management of the New Lian Beng Group’s Australian joint venture partner in the Wickham Property. This affected the ability of the New Lian Beng Group to reach a consensus with the joint venture partners regarding the disposal options for the Ranwell Property and the Wickham Property (which are adjacent to each other and are treated as 1 large property for the purpose of the development approval) as it has had to re-commence negotiations with the new management of the Wickham Property. As a result, the Singapore consortium<sup>7</sup> decided to buyout the entire stake of the Australian joint venture partner as announced by LBG on 31 July 2019 so that decisions can be more efficiently made among the Singapore joint venture partners.

2.1.3 The New Lian Beng Group has used best endeavours to sell the Properties

- (a) As mentioned in paragraph 2.1.2(b), the change in the management of its Australian joint venture partner caused a delay in negotiations in respect of the Wickham Property. As it was unable to reach a consensus with its Australian joint venture partner, the

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<sup>4</sup> Information and statistics were extracted from the news article titled “Adelaide, Brisbane property prices set to rise by 2022, according to new report” published by Australian Broadcasting Corporation at <https://www.abc.net.au/news/2019-07-15/sa-forecaster-expects-adelaide-house-prices-to-jump-by-2022/11309258> accessed on 17 February 2020

<sup>5</sup> Information was extracted from a release by APRA titled “Response to submissions – revisions to prudential practice guide APG 223 Residential Mortgage Lending” at [https://www.apra.gov.au/sites/default/files/response\\_to\\_submissions\\_prudential\\_practice\\_guide\\_apg\\_223\\_residential\\_mortgage\\_lending.pdf](https://www.apra.gov.au/sites/default/files/response_to_submissions_prudential_practice_guide_apg_223_residential_mortgage_lending.pdf) accessed on 29 February 2020

<sup>6</sup> Information and statistics were extracted from the news article titled “Boom time forecast for Brisbane’s housing market in 2020” published by The Courier Mail extracted from <https://www.realestate.com.au/news/boom-time-forecast-for-brisbanes-housing-market-in-2020/> accessed on 17 February 2020

<sup>7</sup> The Singapore consortium comprises Heeton Holdings Limited, the New Lian Beng Group and KSH Holdings Limited in the proportion of 55%, 30% and 15% respectively.

Singapore consortium decided to buy out the Australian joint venture partner's entire interest in the Wickham Property in an effort facilitate the decision-making process.

- (b) The New Lian Beng Group and its joint venture partners are working together to procure the sale of the Australian properties on terms which are in the best interests of all the partners. To that effect, the consortium has submitted an application to the Australian authorities for the renewal of the development approval for the two Australian properties to enhance the sale value of the properties with the goal of effecting a sale after development approval is obtained. The successful renewal of the development approval will increase the marketability of the Wickham Property as interested buyers need not expend additional time and costs to ensure that the properties can be developed as intended. In the event that the outcome of the renewal application is not favourable, the New Lian Beng Group will re-assess its plans for the Australian properties, including but not limited to the submission of a new development proposal for a fresh development approval.
- (c) LBG has informed the Company that the application is currently being reviewed by the Australian authorities. Barring any unforeseeable circumstances, the New Lian Beng Group hopes that the outcome of the renewal application and/or directions on further actions required from the Australian authorities will be completed within the next 9 months. Should the renewal application be granted, the New Lian Beng Group expects that it would take 3 to 6 months for a marketing agent to be appointed and the properties marketed to interested purchasers. Upon successfully locating an interested purchaser, the New Lian Beng Group anticipates that a further 3 to 6 months would be required to negotiate the terms of the sale, arrange for financing and complete the transaction.
- (d) The foregoing reflects the substantial time and effort in the last 12 months required and expended by the Singapore consortium to streamline the decision-making process in relation to the Australian properties and work towards the eventual sale of the same. LBG has therefore requested for a longer extended deadline of 2 years to dispose of the Australian Properties by 19 April 2022.
- (e) In relation to the unsold units of a freehold condominium development located in District 11, a premium location in Singapore and therefore priced at a premium, 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 viewings, of which 52 have been conducted.
- (f) With these efforts, the joint venture partners have managed to sell 3 units during the past 12 months. The remaining units are 4 to 5-bedroom units exceeding S\$5 million in value and cater to the luxury market. The difficulties are further compounded by multiple new launches in Districts 9 and 10 in 2019 and the first 2 months of 2020 which have better positioning compared the freehold condominium development which was completed in 2014 and provide buyers with greater choice. Barring unforeseen circumstances (such as those highlighted in paragraph 2.1.4 below), the New Lian Beng Group hopes to complete the sale of the remaining 3 units by 19 April 2021.

#### 2.1.4 Various global events on the property markets are likely to dampen demand

- (a) With the recent global health emergency declared due to the new coronavirus and the bushfires in Australia, 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 diseases and deadly fires.
- (b) While these events occurred toward the end of 2019 and their impact have yet to be fully ascertained, the New Lian Beng Group foresees that such circumstances will further hamper its efforts to comply with the Disposal Undertaking as a hasty sale would likely lead to losses which would negatively impact shareholder value.

#### 2.1.5 The New Lian Beng Group has revised its action plan to fulfil the Disposal

### Undertaking

- (a) In relation to the remaining 3 unsold units of the freehold condominium development in Singapore, the consortium intends to continue to conduct viewings using the unit which has been converted into a showroom for efficiency.
- (b) In relation to the 2 Australian properties, the Singapore consortium is seeking a renewal of the development approval to enhance the sale value as highlighted in paragraph 2.1.3(b). Otherwise, the value of the 2 Australian properties will be significantly diminished as prospective buyers would factor in the time, costs and uncertainty of approval of development plans in negotiating the purchase price for the Australian properties. While there is currently no intention to develop the Ranwell Property and Wickham Property, should the Singapore consortium decide, after receiving the development approval that development works on the said properties are necessary to increase its value and improve its marketability for sale, the New Lian Beng Group will grant the Company a right of first refusal to purchase the Ranwell Property and the Wickham Property so that the property development activities will be undertaken by the SLB Group, on terms to be mutually agreed.

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.

3.1.3 The Company's management is actively involved in discussions among the Singapore consortium and is monitoring the status of affairs closely in relation to the disposal of the Properties, and the Audit Committee is kept up to date on matters pertaining to the Properties. 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 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. As such, there is no conflict of interest in relation to these completed unsold units.

#### **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  
22 May 2020

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*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.*

*The contact person for the Sponsor is Ms Tay Sim Yee, at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, telephone: 65 6232-3210.*