

Chairman's Statement



Dato' Seri Lim Bock Seng
Chairman

LBS has emerged stronger from the global economy crisis in 2008 and has turned into profitability. In 2010, we saw domestic and global economies gradually returned to stability. With the timely introduction of stimulus packages, Malaysia's economy experienced a strong resumption of growth, recording an expansion in GDP of 7.2% following the downturn in 2009 of negative 1.7%. This acceleration of the economy was driven mainly by an increase in investment activities both foreign and local and improving private consumption underpinned by improvement in labour market conditions, higher disposable income, more optimistic consumers and continued access to credit. Riding on the positive economic condition, LBS ended the year on a positive note.

The property market has benefited from the more optimistic global economy outlook. Despite lingering caution amidst the uncertainty surrounding the debt crisis in parts of Europe and a fear of double dip recession, property market has achieved double digit growth in 2010. Number of transactions and value expanded 11.4% and 32.6% respectively with residential properties dominating the overall market, taking 60.2% of the total volume and 47.1% of the value of transactions, as reported by National Property Information Center.

FINANCIAL TURNAROUND

In year 2010, the Group registered encouraging growth with profit before tax surged by 512% to RM27.0 million as compared to a loss before tax of RM6.6 million last year. Profit after tax and minority interests recorded at RM16.5 million, up 196% from a loss of RM17.2 million in 2009. The improved profit for the financial year is due to better profit contribution from its property development activities and cost efficiency achieved for completed projects.

Revenue of the Group amounted to RM340.9 million has increased of RM142.4 million or 72% from the previous year of RM198.5 million. This was mainly attributable to significant increase in sales during the year and higher revenue recognition from various stages of its on-going property development projects. Contribution to revenue in year 2010 was mainly from Bandar Saujana Putra, Taman Perindustrian Tasik Perdana and Taman Tasik Puchong.



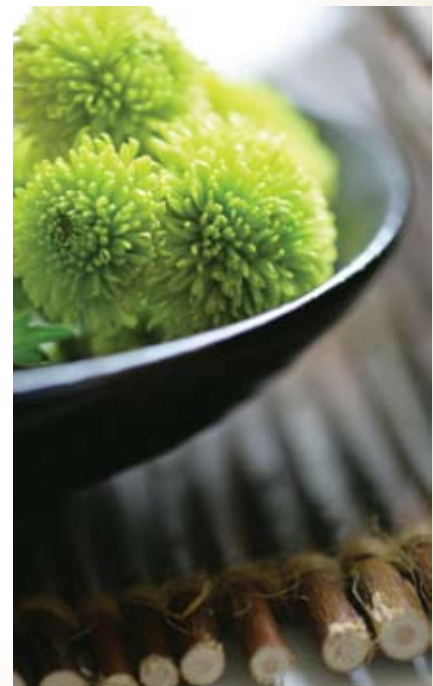
DIVIDEND

The Board does not recommend any dividend for the financial year 2010. This is to ensure sustainability of the business and to provide funds for future growth of the Group.

REMAIN PRUDENT IN CAPITAL MANAGEMENT

Having achieved a positive growth for the Group, we managed to strengthen the confidence of our investors and financial institutions during the year, emerging from the crisis in a stronger and better position to tap new growth opportunities.

The Group benefited significantly from its strategy of allocating additional resources to deliver vacant possession of our properties ahead of schedule. In addition, we capitalized on the lower development costs for our on-going projects and boosted our income base in 2010 as part of our broader capital management strategy.



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GROWTH CAPACITY

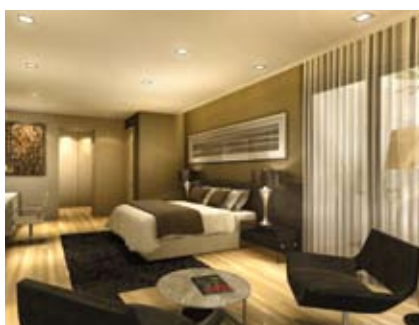
In 2010, the Group continued to strengthen its balance sheet:-

- The Group successfully redeemed all the outstanding Secured Serial Bonds issued in 2005 ahead of maturity date. This early redemption had contributed to an interest saving thus giving a positive effect to the Company's earnings.
- We have further boosted our growth capacity with the issuance of RM135 million Islamic Commercial Papers/Islamic Medium Term Notes Programme ("Sukuk Programme"). The Sukuk Programme was the first private-debt Islamic securities issuance in Malaysia guaranteed by Danajamin Nasional Berhad with an AAA rating, the highest rating accorded to securities by Malaysian Rating Corporation Berhad. The large liquidity pool of the Malaysian Islamic capital market allows LBS to diversify its source of funding while lowering the cost of financing as compared to the conventional financing programme.

FORAY INTO HIGH-END SEGMENT

With the funds raised, we are ready and well-prepared to focus on our next phase of growth. We deployed the proceeds on the Sukuk Programme to our new projects in Puchong, Selangor; Cameron Highlands, Pahang and Batu Pahat, Johor.

When the unique opportunity arose in the course of the year, we successfully acquired 35% equity interest in Astana Modal (M) Sdn Bhd. The RM19.6 million acquisition marked a key milestone in our next phase of growth in the high-end segment of property market.



The development land under this company is strategically located in Puchong, one of Klang Valley's most vibrant and established town. It is a piece of huge island-featured land with major part of the land surrounded by water with only a small portion of the land in the north connecting to the mainland. This island feature makes the land a perfect design for a truly unique island resort living with scenic natural panoramic view of the lake and the mainland green ranges. It was planned for island resort living to attract purchasers who seek for exclusive yet relaxing life style. Key design concepts for this development would emphasis on waterfront, gated and guarded residences, family oriented club house, commercial square for festivals, city activities and conveniences.

The acquisition is contributing significantly towards the Group's re-branding exercise in transforming the Group to become a premier developer with more products of greater variety, higher quality and contemporary concept and design.

OUTLOOK AND PROSPECT FOR YEAR 2011

As reported by Bank Negara Malaysia, domestic economy has expanded by 7.2% in 2010 with encouraging trends in private economic activity and continued improvements in employment conditions. The world economy has also improved significantly in 2010. Particularly strong growth was recorded in the emerging economies with this trend being most pronounced in the Asia region. Generally this growth has been underpinned by strong domestic demand and the recovery in world trade.

Stepping into 2011, the momentum is likely to continue with cautious to moderate in the second half of the year. The key macroeconomic challenge would be dealing with rising inflationary pressure. Monetary tightening tools such as interest hikes and higher bank reserve requirements have been progressively introduced. Apart from inflation, higher property prices and strong credit growth have raised concerns of various parties.

Additional measures such as property taxes, low mortgage quantum and restrictions on the purchase of third or more homes have been introduced in major cities in the region to tame property prices and curb speculative demand. Fears of property bubbles building up within the China and Hong Kong markets and consequent stringent government measures to moderate prices there, led to an influx of foreign investment into other property markets, such as Australia, Singapore and Malaysia.

In early of the year 2011, the global business climate has improved and moving forward, it is expected to be supported by strong growth in Asia region. It is significant to note that the government's proactive approaches have ensured that Malaysia remains highly sought-after as an ideal place for investments. Some spillover effects is expected from the government measures such as Economic Transformation Programme and Mass Rapid Transit project which have been launched for implementation in the second half of 2010. With the positive momentum in performance of various sectors, LBS believes that demand for quality properties will be sustained on the back of healthy economic fundamentals.

Backing by these positive economic conditions and encouraging business environment, we see "Growing Opportunity" as what was chosen as the theme of this year's annual report. We are committed to strike for growth in knowledge, capability, performance, value and responsibility. The move to grow and transform LBS to become a leading property developer in Malaysia is ever challenging. Over the decade after listing, LBS has developed deeper roots and a stronger foundation. We have strengthened our balance sheet and are ready for our next phase of growth.



We continue to focus on market segment with greater growth potential and stay on course with our corporate strategies to move forward in enduring and overcoming the difficulties along the way, with an aim to continue its sustainable profitability stream.

ACKNOWLEDGEMENT

With the guidance of the Board as well as the dedication and efforts of the management team and employees, LBS was able to seize opportunities amidst the strong recovery and achieved positive results in year 2010.

On behalf of the Board of LBS, I wish to express my sincere appreciation to our shareholders, customers, bankers, business affiliates and public at large for your continuous support.


We are now in a position of strength, which puts us in a better stead to capture more growth opportunities and meet the challenges in the year ahead.

Yours sincerely

DATO' SERI LIM BOCK SENG

Chairman
26 May 2011





At the heart of our business is our attention to delivering value to our shareholders. Fiscal responsibilities, determined efforts in cost efficiencies and experienced strategic management align us positively for growth and results, ensuring that our bottom line is as good as the properties that we develop.