



CHAIRMAN'S STATEMENT

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Balvia Semi-D Showhouse at D'Island Residence

Dato' Seri Lim Bock Seng
Chairman

OVERVIEW

After the strong rebound in 2010, 2011 kicked off on exuberant note with Malaysia economy reporting a healthy growth of 5.8% in the first quarter. However, the early positive outlook was muted with global difficulties such as the Eurozone debt crisis, concerns about the weak recovery of US economy, economic slowdown in China, geopolitical developments in the Middle East and North Africa region and the impact of tragic calamity in Japan for its massive earthquake which affected the global manufacturing production.

133%
to RM63.0 million
Encouraging growth
with profit before tax
surged

These have moderating 2011's full year GDP growth to 5.1% on a year-on-year basis, however, within the official forecast of 5.0% to 5.5%, underpinned by the expansion in domestic activities and firm regional demand. During the year under review, the Government has introduced a series of property cooling measures aimed at ensuring a more stable and sustainable property market where property prices moved in tandem with economic fundamentals.

Despite slower economic growth in 2011 and the implementation of property cooling measures, the Malaysian property market continued to strengthen in 2011. There were 430,403 transactions worth RM137.8 billion registered in 2011 against 376,583 transactions worth RM107.4 billion in 2010. Both the volume and value recorded double-digit growth of 14.3% (2010: 11.4%) and 28.3% (2010: 32.6%) respectively with residential properties spearheaded the property market activities, taking up 62.7% of the activities and 44.9% of the transactions value, as reported by National Property Information Center. The year also saw highest record of residential property activities, both in transaction and volume, in the last five years.

RECORD PERFORMANCE

In spite of uncertain sentiments dampened by the deterioration of the Eurozone crisis in the second half of 2011, the Group is pleased to deliver a sterling set of results posting revenue and profit before tax (PBT) of approximately RM450 million and RM63 million respectively. These represent a 32% increase in revenue and surge of 133% in PBT over the results recorded in the preceding year.



The credible results were primarily due to higher progressive recognition of revenue and profit contribution from its ongoing projects with good take up rates such as D' Island Residence in Puchong,

DESPITE SLOWER ECONOMIC GROWTH IN 2011 AND THE IMPLEMENTATION OF PROPERTY COOLING MEASURES, THE MALAYSIAN PROPERTY MARKET CONTINUED TO STRENGTHEN IN 2011.

Topaz III, Ivory Residence I & II, Indigo Homes, Magenta Homes and Lavender II in Bandar Saujana

Putra (BSP) as well as the commercial and industrial projects namely Taman Perindustrian Tasik Perdana in Puchong and Saujana Business Park in BSP.

With the exertion of improved strategies and enriched approaches in operations, gross profit margin of the Group was boosted to 34% from 29% in 2010. The better result was attributed to the launch of property types bearing higher profit margin and cost efficiency achieved for completed projects.

The basic earnings per share has doubled to 8.87 sen as compared to 4.27 sen in 2010, representing an increase of 108%.



CORPORATE DEVELOPMENT

Acquisition of equities from Minority Shareholders

During the year, the Group has completed the acquisitions of the remaining equity interests from the minority shareholders of Jatidiri Gigih Sdn Bhd ("JGSB"), Jauhari Unggul Sdn Bhd ("JUSB"), Azam Perspektif Sdn Bhd ("APSB") and Astana Modal (M) Sdn Bhd ("AMSB"). These acquisitions rendered the four companies became wholly-owned subsidiaries of the Group and consequently enable the Group to recognise all the potential earnings derived from the projects developed under these companies. JGSB and JUSB are developers for BSP, APSB is developer for Taman Tasik Puchong whereas AMSB is developing the D' Island Residence.

DIVIDEND

As a result of the solid performance achieved for 2011, the Board is pleased to recommend the payment of a First and Final Dividend of 2.5 sen per ordinary share of RM1.00 each less 25% income tax amounting to RM7.2 million. This translates into a dividend payout ratio of 19% of the Group's net profit for the year. The payment of this proposed dividend is subject to the approval of shareholders at the forthcoming Twelfth Annual General Meeting.



AS A RESULT OF THE SOLID PERFORMANCE ACHIEVED FOR 2011, THE BOARD IS PLEASED TO RECOMMEND THE PAYMENT OF A FIRST AND FINAL DIVIDEND OF 2.5 SEN PER ORDINARY SHARE OF RM1.00 EACH LESS 25% INCOME TAX AMOUNTING TO RM7.2 MILLION.

Proposed Disposal of Investments in China

In the fourth quarter of the year, LBS was approached by the holding company of its joint venture partner in Zhuhai, namely Jiuzhou Tourism Group Limited ("JTGL") for the proposed disposal of up to 100% (but not less than 60%) stake in Dragon Hill Corporation Limited ("DHCL"), a wholly-owned subsidiary of LBS. DHCL through its subsidiaries, owns and operates the 36-hole Lakewood Golf Club and its adjoining property development project in Zhuhai. DHCL has 60% profit sharing rights in these two businesses.

After a series of negotiation sessions, both parties finally have pen down their initial intention for the said proposed disposal at a Signing Ceremony held in Zhuhai, China. A Memorandum of Understanding was signed in April 2012 with Jiuzhou Technology Company Limited (JDX), a wholly-owned subsidiary of Jiuzhou Development Company Limited (JDCL) which is currently listed on the Hong Kong Stock Exchange. JDCL is a subsidiary of JTGL.



The MOU kicked start the next phase of negotiation for both parties to come into consensus on the terms and conditions of a definitive agreement with regards to the proposed disposal. The proposed sale to JDX is worth up to HKD 1.65 billion which would be settled by cash, equity shares in JDCL, convertible securities and/or other means which shall be mutually agreed by the parties.

AWARD AND RECOGNITION

Testament to its effort in the journey of transformation, LBS was awarded the BCI Asia Top 10 Developers 2011 Award. This award was presented to the 10 most active property developers in Malaysia with highest annual construction value. 2011 was the year this Award first introduced to recognize the distinguished property development firms that make significant impact to the Malaysia economy.



Continuing from the success of being one of the winners of BCI Asia Top 10 Developers 2011 Award, the Managing Director of LBS, Dato' Lim Hock San was bestowed with the prestigious Platinum Entrepreneur Award 2011 by SMI Association of Malaysia for his outstanding entrepreneurship, leadership and achievements in the property development industry in December 2011.



2012 OUTLOOK AND PROSPECT

At the time of writing, the outlook for Greece is getting more miserable where it fueled fears of global financial contagion following a credit rating downgrade for Greece and 16 Spanish banks, and a political impasse in Greece whereby parties opposed to the austerity terms of a bailout plan intensified the risk of the country exiting Eurozone. Challenging and volatile macroeconomic conditions stemming from the Eurozone debt crisis, partisan politics in the lead-up to the US presidential elections and fiscal austerity are likely to impact external demand. Inflationary pressure due to higher commodity prices causing slower world trade would also have direct impact on the open Malaysia economy.

Amid the more challenging external environment, Malaysia's economy is projected to have a steady pace of growth of 4 – 5% in 2012 with domestic demand is expected to remain resilient and will continue to be the anchor for growth. Measures that were announced in the 2012 Budget are expected to provide support to private consumption, as reported by Bank Negara Malaysia. Overall, Malaysia is relatively buffered as it does not have much of a direct exposure to EU sovereign debt. Domestic economy is still intact to some extent, and is on a growth path despite facing the recent turmoil.

While the sales volume for new property launches is still relatively strong underpinned by resilient local demand, the Group is cognizant that property market could be affected by the global economic conditions in the months ahead.

GROWING STRONG

Year 2011 marked the new chapter in the history of LBS. The venturing into high-end segment of property market exhibited LBS' strength in heading towards the new era, leaping a step higher in its journey of growth.

Over a decade of maturing after listed on the Main Market of Bursa Malaysia, the Group has emerged to have healthier balance sheet and stronger team for weathering the challenges ahead; to have larger land bank to provide the Group with greater flexibility in determining its project launches and pricing strategy; and to also have more balanced portfolio for the Group to better cushion the cyclical volatilities of the different property segments. LBS has always adopted a strategic land acquisition policy with focus to continue deepening its presence in its homeland. The Group will also carefully select the appropriate type of development project to launch in a timely manner, mindful of ever changing buyers' appetite and demand.

ACKNOWLEDGEMENT

I would like to express my gratitude to my fellow Board members, the management team and all

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WEATHERING THE CHALLENGES
AHEAD**

the staff for their unfailing dedication, efforts and commitment that have contributed to the Group's success. To our shareholders, customers, suppliers, business associates, media, bankers, various government agencies and local authorities, I sincerely appreciate their invaluable support and assistance which made 2011 another year of commendable growth for the Group.

Together, let us continue with our efforts to further strengthen our performance and to discover the new heights we can reach in its aspiration to be one of the leading and premier property developers in the nation.

DATO' SERI LIM BOCK SENG
Chairman
18 May 2012

