
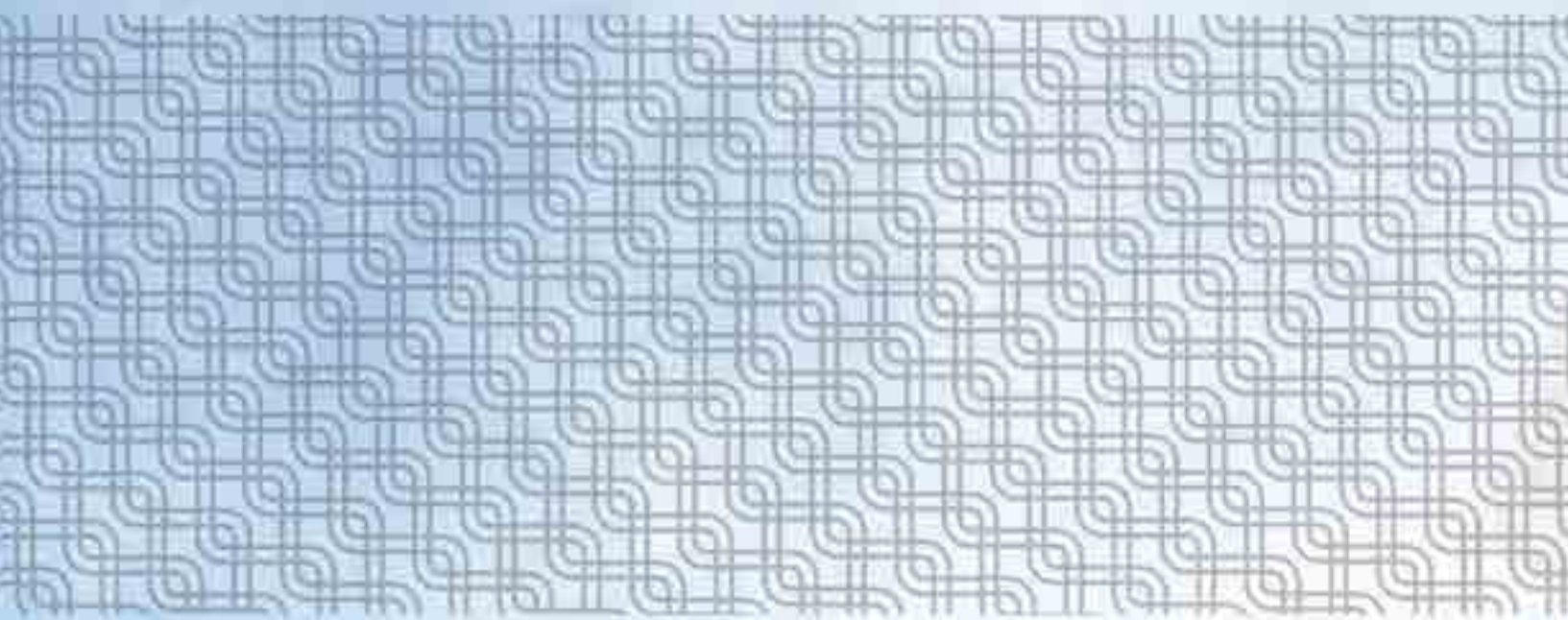




Better outcomes for better lives

With each development we undertake, we ensure great care in understanding the needs of our home-owners. It's this attention to detail that ensures our homes enrich the lives of each owner.





CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

As stated in my Statement at the last annual report, in 2013, LBS continues to embark on strengthening its position as a developer of choice among house buyers through innovative and contemporary themed development. LBS team persistent in exercising its nimble and innovative approach to market changes, adapting and responding to challenges quickly and astutely.



CHAIRMAN'S STATEMENT

CREDITABLE PERFORMANCE

In 2013, many economies continued to be affected by the sluggish US recovery, prolonged European debt crisis and the worries of slower growth in China. At the domestic front, the long waiting period for conducting the Thirteen General Election in the first half of the year and fresh property tightening measures introduced under the Budget 2014 in the last quarter of 2013 weighed down our key markets.

Despite reduced sales of high-end residential homes, our diversification strategy in products segment has enabled LBS to ride through the challenges to deliver a creditable set of results.



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For financial year 2013, the Group's Profit After Tax has surged tremendously and recorded at about tenfold increase, up from RM39.0 million to its historical high of RM397.1 million. We owe this sterling performance mainly due to the gain arising from the disposal of Lamdeal Consolidated Development Limited and Lamdeal Golf & Country Club Limited for a total consideration of HKD1.65 billion and profit contribution from encouraging take up rates of the on-going and launched projects.

The Group recorded Revenue and Profit Before Tax of approximately RM534 million and RM427 million respectively. These represent 5% increase in revenue and 469% increase in PBT over the results recorded in the year 2012.

SHAREHOLDERS' VALUE CREATION

During the year, the Group had announced the implementation of the dual dividend policies:

1. **Normal Dividend Policy** where the distribution is based on payout rate of at least 30% of the Company's profits after taxation from its ordinary business operations for each financial year.
2. **Special Dividend Policy** where the distribution is based on the receipt of the deferred cash payment from the disposal of investment in China which is expected to be received in 4 tranches from year 2014 to 2017 with a payout rate of 6 sen per share or up to 40% of each tranche receipt, whichever is lower.

CHAIRMAN'S STATEMENT

The corporate focus realignment coupled with the Dua Dividend Policies, LBS is confident of delivering sustainable return to shareholders.

For financial year 2013, the Group had declared and paid a Special Dividend of 8 sen per ordinary share (tax exempt dividend) from the receipt of the first cash payment of HKD500 million arising from the disposal of investment in China and an interim single tier dividend of 1.5 sen per ordinary share of RM1.00 each from its ordinary course of business.

In addition to the above, the Board has recommended a Final Single Tier Dividend of 1.5 sen per ordinary share of RM1.00 each for the financial year 2013. Subject to the shareholders' approval at the forthcoming Fourteenth Annual General Meeting on the declaration of Final Single Tier Dividend, the dividend declared for the entire financial year ended 31 December 2013 shall be 3 sen per share representing 31% of the Group's earnings from ordinary course of business.



The Group recorded Revenue and Profit Before Tax of approximately **RM534 million** and **RM427 million** respectively.



CORPORATE STRATEGY REVIEW

Following a strategy review, the Group was reorganized and re-aligned its focus into homeland development which takes two forms: by geographical and by structure. The revised corporate strategy in realigning its focus back to homeland allows LBS to sharpen its edge and better leverage and harness synergies across the 4 core states where it has strong presence while extending its foothold in other up and coming cities. This also enables the Group to achieve greater economies of scale and enhance its competitive advantage in its integrated township project and deepen its position in affordable homes segment.

CHAIRMAN'S STATEMENT



The Group to **achieve greater economies** of scale and enhance its competitive advantage in its integrated township project and deepen its position in **affordable homes segment.**



With incoming war-chest from the disposal of investment in China, we adopted replenishment strategy for our land bank, optimising the state-wide layout of property projects and acquiring quality land plots in other potential growth cities with equilibrium combination by structure of outright purchase or joint venture. While implementing this strategy, we seek to strike a balance between geographical exposure, risks and synergy effect.

CORPORATE DEVELOPMENTS

Greater Potential Earnings foothold

During the year, the Group continues its business rationalisation and expansion activities by acquiring the equity interests from the minority shareholders of Wirama Era Baru Sdn Bhd (“WEBSB”), Dataran Enigma Sdn Bhd

(“DESB”), Utuh Sejagat Sdn Bhd (“USSB”) and MITC Engineering Sdn Bhd (“MITCE”). These acquisitions have rendered USSB became a wholly-owned subsidiary of the Group while increasing its stakes in WEBSB, DESB and MITCE. Consequently, enables the Group to gain better control and recognition of greater potential earnings deriving from the projects development under these companies.

Optimising Capital for Greater Return

The sealed Sale and Purchase Agreement in April 2013 to dispose of the Group's equity interest in two subsidiaries owning the Zhuhai Lakewood Golf Club and the 197-acre development land surrounding this golf club for HKD1.65 billion was completed and concluded in August 2013.

The deal enabled us to further strengthen the balance sheet which shown an improvement on earnings per share, net asset value and net asset per share while reducing gearing ratio via the receipt of cash proceeds of HKD500 million, 225,563,909 new share in Zhuhai Holdings Investment Group Limited (Stock Code: 0908) (“Zhuhai Holdings”), a public company listed on the Hong Kong Stock Exchange and Promissory Notes of HKD850 million payable in four annual instalments from 2014 to 2017.

The completion of this divestment has emerged LBS as a substantial shareholder in Zhuhai Holdings and continue our presence in China. Through the shares held in Zhuhai Holdings, we may reap greater benefits by sharing potential profits not only from the disposed business in golf club and property development, but also from other business activities of Zhuhai Holdings who is also in hospitality and leisure, maritime passenger transportation and port management.

With the war-chest in hand, we will leverage our strong balance sheet to seize investment opportunities that arise and continue to employ capital for higher return and weigh all available opportunities so as to maximize the return from our investments.

CHAIRMAN'S STATEMENT

Opportunistic Approach in other Promising Market

Capitalizing on the booming Iskandar Malaysia, we strengthen our presence in the state of Johor by extending our footprint in the Zone A of this southern economic zone with acquisition of a piece of freehold land measuring 1.18 acres for residential and commercial purposes with estimated GDV of approximately RM500.0 million.

The new joint venture project with Perbadanan Kemajuan Negeri Pahang to develop a piece of 12.4 acres land in Bandar Indera Mahkota, Kuantan marked our first step in the east coast city.

In October 2013, the Company had through its wholly-owned subsidiary, Dragon Hill Corporation Limited, exercised its right to acquire 100% equity interest in Lamdeal Investment Limited ("LIL") at a total consideration of USD1.00 only. LIL is an investment company involving in racing circuit project. LIL has set up joint venture in China in year 1992 through a sino-foreign cooperative joint venture entity, known as Zhuhai International Circuit Limited ("ZICL") to jointly develop and operate China's first professional racing track ("ZIC Circuit"). This exercise has rendered LIL a wholly-owned subsidiary of LBS and accordingly ZICL became a 60%-owned subsidiary of the Company.



Despite the gestation period for this investment is long, the Group foresees huge potential in the ZIC Circuit which currently occupies some 264 acres of prime land. It is strategically located next to the Lakewood Golf Club and the 197-acre mixed property development project. The decision to bring back ZIC Circuit into the Group will maintain the Group's presence in China and may in the future provide another opportunity for the Group's venture into property development. We consider the acquisition of LIL to be viable long-term investment that would contribute significantly towards enhancing value to shareholders in the future.

Commitment to Innovations

The Group's vision on becoming an internationally recognized developer has earned numbers of Awards from its development projects and marketing campaigns and programmes in year 2013.

Our flagship high-end development *D' Island Residence* was awarded the Best Urban Scenic Development by the Malaysian Reserve for the Property Press Awards 2013. Three awards were bagged from Asia Pacific Property Awards 2013 for its luxury development *D' Island Residence*. This unique island resort development was named the Best Commended Award in Development Marketing for Malaysia. Its semi-detached home *Balvia* has won 5 Stars award in the Interior Design Show Home for Malaysia while the superlink home *Apicalia* garnered Development Multiple Units for Malaysia Award.



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CHAIRMAN'S STATEMENT

In the high competitive market of property industry, staff are constantly challenged to see things in different perspective so as to be innovative. Their efforts were recognized when LBS lauded two bronzes in Marketing Excellence Awards namely "Excellence in Public Relations (Internal/Employee Communications) category for its LBS Corporate Rebranding Exercise – Internal Communications" and "Excellence in Product/Packaging Design category for its Cameron Golden Hills - *The Way Life Should Be*".

2014 OUTLOOK AND PROSPECT

The gradual improvement in the global economy experienced in 2013 is expected to continue in 2014 supported by a broader economic recovery in the advanced economies and sustained growth in the emerging economies where the Malaysia economy is expected to remain resilient in 2014 with projection conservative economic growth of 4.5%-5.5% in 2014 which will be supported by favourable domestic demand and an improving external environment. Even though domestic consumption remain stable, property industry in Malaysia will be facing challenges from consumers conscious of rising cost of living and reduced purchasing power as a result of increase in prices of properties, goods and services despite the government various initiatives or measures.

However, we remain confident that the Group will be able to ride out the uncertainties at the back of a healthier balance sheet and stronger cash position. The Group has the greater capacity now to step up acquisitions of well-located and promising sites coupled with our affordable homes series which continue to receive encouraging supports.

Moving forward, the Group will continue to embark on strengthening our position as a developer of choice among house buyers through innovative and contemporary themed development. We shall continue to leverage on the demand for affordable residential, lifestyle themed residential and selected commercial development.

APPRECIATION

Throughout the various challenges, our stakeholders have been steadfast in their support of LBS. I wish to extend my appreciation to all our valued customers, shareholders, business associates, bankers and the relevant government authorities for their continuous support and confidence in the Group.

I am pleased to welcome three new Independent Non-Executive Directors who joined the Board in 2013: Datuk Haji Baharum Bin Haji Mohamed, Datuk Lim Si Cheng and Mr. Lim Tong Lee and grateful for their acceptance on the appointments to the Board. These appointments follow the resignations of Dato' Kamaruddin bin Abdul Ghani, Tan Sri Dato' Seri Utama (Dr) Haji Abu Hassan bin Haji Omar, Dato' Wong Woon Yow, En. Mohd Fazil bin Shafie and Mr. Kong Sau Kian, and the retirement of Maj Jen Dato' Mohamed Isa bin Che Kak (B). I would like to take this opportunity to extend special thanks and appreciate for their many years of distinguished service rendered to the Company. In addition to being the long service directors, they have made significant invaluable contributions to the Company during their tenure of office and successfully directed LBS towards an even brighter future.

In the past decades, LBS has proven that its strategic positioning is successful, even in an economically challenging environment. As has been the case in the past, we will aggressively pursue the path we have chosen. I look forward to receiving your continued support.

DATO' SERI LIM BOCK SENG

Chairman

20 May 2014