

A portrait of an elderly man with glasses, wearing a dark suit, white shirt, and a red patterned tie. He is seated in a black leather office chair against a light wood-paneled background.

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

In my last letter, I shared about the slowdown in global economy posing challenges to all industries. This continued to be the central topic for year 2015 bringing forward to year 2016 with economists' viewpoint still divided over the depth and duration of its impact. Regardless of the challenges, I believe we as an industry player are responsible to secure our position in the property market, while building a strong foundation that can sustain our business well into the future.

CREDITABLE PERFORMANCE

LBS is a property developer building residential and commercial properties to create the maximum returns for its shareholders with aim of consistently pursuing and delivering exceptional performance, both in business and finance. Our key actions in initiating innovation and continuously recasting our strategic focus to align our product offerings to the evolving needs of buyers in the property market have

The financial year 2015 was a tale of two halves for the property industry. Like others in our segment, we continued to suffer from a decline in sales in the first half and have to pare down our forecast of the year. While carefully observing the best timing for new launches in the second half of 2015, we were among the first few to show early sign of recovery in sales. We reported a 60% increase in sales for the year as a whole, a record breaking achievement from our original RM1.0 billion target. Against

cash payment totalling HKD200 million arising from the disposal of investments in China in 2013; and

- b) The proposed First and Final Single Tier Dividend of 3.5 sen (2014: 3.25 sen) per share derived from its ordinary business operations subject to shareholders' approval at the forthcoming Sixteenth Annual General Meeting. As compared with last year, we have declared 7.7% more dividend.

“ WE REPORTED A 60% INCREASE IN SALES FOR THE YEAR AS A WHOLE, A RECORD BREAKING ACHIEVEMENT FROM OUR ORIGINAL RM1.0 BILLION TARGET. ”

further strengthened our balance sheet and rebalance our portfolio while providing renewed stability, focus and direction through more active and passionate operational management.

I would say that, both the Board and the Management, have done an excellent job in transforming the quality and capability of LBS team, sharpening the focus of our strategic intent, enhancing performance and increasing our resources. LBS has scale, focus and outstanding expertise and experience. We have a long held and deep commitment to advance the sustainability agenda in property development and management and have delivered some of the most sought after properties. This enables us to embrace new opportunities as we move through market cycles.

the backdrop of economic hiccup and reflecting on the right quality and mix of our property projects in hand, I must conclude that we had a good year in 2015.

SHAREHOLDERS' VALUE CREATION

We recognize the importance of dividends to investors. Thus, we have increased the absolute dividend amount paid to shareholders taking into account the increased capital base of 2.4% during the financial year 2015. LBS continued to reward its shareholders in line with its Dual Dividend Policy, covering:

- a) The payout of Special Dividend of 6 sen per share on 1 September 2015 derived from the receipt of the second tranche of deferred



SHAREHOLDERS' RETURN

12.2%

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In addition to cash dividend, the Company had also issued bonus warrants in year 2015 on the basis of one (1) free Warrant B for every four (4) existing ordinary shares held. This represents a bonus of about 8 sen per share basing on the theoretical fair value of the bonus warrant at issue date.

I am delighted to note that full year dividend which valued at a historical high of 17.5 sen per share representing a yield of 12.2% was returned to shareholders for the financial year 2015. We remain committed to our Dual Dividend Policy and provide higher dividend as long as market conditions, retained earnings and cashflow allow.

CORPORATE STRATEGY REVIEW

In year 2015, the Group has continued with its strategy adopted since year 2013, particularly in land bank replenishment strategy. Thanks to our re-strategised business model and land bank acquisition initiatives, our performance in year 2015 showed a good momentum in our consistent and successful strategy with strong customers' demand for our products, which enabled us to rescale and reposition our business amidst challenging environment.

The success of our business is a testament to the robustness of our strategy and with this in mind, the Board is confident that the plans being executed by the Group is poised to take advantage of the growing opportunities ahead.

To continue leveraging on our existing construction strength and realising additional synergies from the complementary activities, we are looking forward to growing and building our construction division with target to further expand its client base. The investment in the ML Global Berhad is the opportunity we grasped with objective to strengthen our capacity in construction segment while expanding and diversifying our clientele.

In the year 2015, we acquired a total of **763** acres of development lands in the states of Johor and Selangor that will pave way for our expansion strategy in the immediate future.

CORPORATE DEVELOPMENTS

Greater Potential Earnings foothold

During the year, the Group continues its business rationalisation and expansion activities through a series of equity interest acquisitions from the minority shareholders in four companies. The increasing stakes in these companies enables the Group to gain better control and recognition of greater potential earnings deriving from the future projects development.

In the year 2015, we have also acquired 4 new dormant subsidiaries and 1 new associated company to take over new projects in the future.

Land banking

The Group continues to operate successfully in a sluggish property market with strong acquisitions in the year to increase our strategic land portfolio. In the year 2015, we acquired a total of 763 acres of development lands in the states of



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Johor and Selangor that will pave way for our expansion strategy in the immediate future. In line with the Group's aims for capital efficiency, joint venture partners are being identified for certain projects as appropriate.

Following the continued good progress with our valuable strategic land assets, our land bank as at 31 December 2015 expanded by 34% to 2,870 acres with estimated total gross development value of RM21.7 billion.

Opportunistic Approach in other Business Segment

Apart from being a property developer, we also ventured into tourism business in year 2014 through a subsidiary with activities branded under "Melaka Alive". Aimed to position as the lead attraction for cultural tourism in Malaysia, Melaka Alive combines elements of theatre

and history against a sophisticated technology laden background to inspire visitors the diverse cultures and rich history of Melaka.

On 21 September 2015, we had signed a Memorandum of Understanding with Zhuhai Jiuzhou Holdings Group Co. Ltd to express both parties' consent and accord to achieve the vision of the Upgrading and Transformation Plan of Zhuhai International Circuit to transform the racing circuit into a cosmopolitan with content and elements comprising racing, tourism and China-Malaysia culture. This plan is to be developed based on the following concepts:-

1. To integrate motorsports into modern urban life in an open way by demolishing the existing enclosing wall of the racing circuit.
2. To create a tourism centre of cultural exchange in the Northern District of Zhuhai with special attraction.

3. To create a multi-culture centre to exhibit cultural exchange, encompassing a Malacca cultural museum and Made in Malaysia Excellence exhibition hall.

I strongly believe this transformation plan would create great value for this investment upon execution.



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Commitment to Innovations

The Group's vision on becoming an internationally recognized developer continued to earn awards from its development projects and marketing campaigns in year 2015.

LBS once again swept the awards for the third year in a row by receiving top award for three categories namely the Five Star Development Marketing, Malaysia with BSP Township; Five Star Architecture Single Residence, Malaysia with Barrington Homes and Highly Commended Apartment, Malaysia with *BSP 21*. With the awards, it is not only indicate the strength of our projects, but served as a great encouragement for us to attain even better performance for this year.



I must take the opportunity provided to me in this letter to express my most sincere congratulations to our Managing Director, Tan Sri Lim Hock San who has been bestowed with the prestigious The Brandlaurette Hall of Fame-Lifetime Achievement Brand ICON Leadership Award 2015 by Asia Pacific Brands Foundation for his outstanding leadership and distinguished effort in driving LBS to a greater height.

2016 OUTLOOK AND PROSPECT

We have now entered into second quarter of new financial year 2016. I received 2016 with optimism particularly encouraged by the recent recovery of Malaysia Ringgit and some improvement in the oil price. However, the economy recovery remains fragile as cloud of uncertainty continue hanging over major economies. Commodity prices still weak, consumer sentiment

stayed sluggish. We remain alert to the possibility of further market disruption given the uncertain global economic conditions. We will therefore continue to act with caution over the coming financial periods.

We believe that property market is going to be relatively stable this year underpinned by low unemployment rate and a growing population with relatively young demographics.



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We are mindful of the challenges due to the slowdown in property sector where the high-end property remain competitive. We will continue emphasizing on affordable segment, which is expected to remain as driving force in the property market in the near term backing by the government's vigorous initiatives in helping the youth to buy their house, such as My First Home Scheme, Youth Housing Scheme and MyDeposit Scheme.

As stated earlier, a key aspect of our strategy is replenishing our land bank. We are of the view that the current down cycle may present land bank building exercise opportunities for us at attractive prices with the back of a healthier balance sheet and stronger cash position.

We will continue with our strategy of exploring portfolio opportunities and focusing on integrated developments to leverage our larger and strategic land bank.

APPRECIATION

To all our valued customers, shareholders, business associates, bankers and the relevant government authorities, I extend herewith my appreciation for your continuous support and confidence in the Group.

“ WE WILL CONTINUE WITH OUR STRATEGY OF EXPLORING PORTFOLIO OPPORTUNITIES AND FOCUSING ON INTEGRATED DEVELOPMENTS TO LEVERAGE OUR LARGER AND STRATEGIC LAND BANK. ”

It is to the credit of all LBS employees that we have responded with accent and dedication to the tasks in hand during the critical times – my special thanks for their toughness, determination and support under the heavy work demands arising out of a challenging year 2015.

Whilst caution remains our master, we are well-focused on the opportunities we now expect to unfold. I look forward to receiving again your immeasurable support to LBS.

DATO' SERI LIM BOCK SENG

Chairman

15 April 2016

