

REVIEW OF OPERATIONS



Balvia Semi-D Showhouse at D'Island Residence

Dato' Lim Hock San
Managing Director

The year 2011 ended as a year that global economies and corporations have grappled with the multitude of challenges which swept across the globe in the stir of a various shocks ranging from Eurozone sovereign debt crisis to the earthquake, tsunami and nuclear disasters in Japan and the severe flood in Thailand.

RM 62.8 mil
profit before tax

THE ROAD OF REVOLUTION IN PRODUCTS, CUSTOMER EXPERIENCE, SUSTAINABILITY, LEADERSHIP, CULTURE AND VALUE IS ENDLESS.



The significant strides that were able to make despite the volatility of markets and global uncertainty are a strong reflection of the resilience of LBS as a Group to ascent above the challenging economic backdrop and taxing business environment. We continued to demonstrate our performance, strength and profitability throughout the bumpy year of 2011.

For us at LBS, the year 2011 has been a defining one, during which we set a new vision, restructured our mission, redefined the brand value and ascertained aspirations for the Group with clear expression of our commitment to be an internationally recognised developer.

We have embarked on our journey of transformation to bring change to the way we do business. The road of revolution in products, customer experience, sustainability, leadership, culture and value is endless. Our progress thus far in this commitment to change and grow has been more than encouraging. We are cognizant of the fact that to reap better yield, new chapter of growth has to be opened by grasping opportunities lay before us. This was an absolute necessity given the unpredictable trail of challenges ahead that we have to overcome.

MALAYSIA OPERATIONS

Residential Properties

The property development activities continued to spearhead the revenue contribution to the Group. In 2011, property development contributed 91.4% of total revenue of the Group and it continues to be the main stream of income for the Group.

Riding on the sturdy domestic demand, we have in 2011 achieved a new sales record of RM663 million comprising 1,155 units of residential and commercial properties, an increase of 57% in sales value. During the year, 14 new projects were launched and 1,146 units of various properties with total value of RM260.4 million have been completed and handed over Vacant Possession to the purchasers.

WE HAVE IN 2011 ACHIEVED A NEW SALES RECORD OF RM663 MILLION COMPRISING 1,155 UNITS OF RESIDENTIAL AND COMMERCIAL PROPERTIES

The launch of LBS' iconic D' Island Residence in Puchong marked the catalyst for the Group's plan to foray into the higher segment of the property market. This island resort-style development was first launched in February 2011 introducing its 122 units *Apicalia*, three storey superlink houses with selling price ranged between RM920,000 and RM1.5 million. All the units were promptly sold in 7 months reaping a total GDV of RM158 million. Construction work is underway and delivery of Vacant Possession is scheduled for fourth quarter of 2012. This translates into an early delivery of about 7 months.

44 units of *Balvia*, three storey semi-detached houses were launched in June 2011 priced from RM2.4 million. The Lake Residence is another project situated just at a stone throw from the D' Island Residence. 195 units of this town villa was launched in June 2011 with first launched price of RM300,000.

Bandar Saujana Putra (BSP) continued to be the main contributor for the sales and revenue of the Group for the year 2011. 6 new projects with total GDV of RM254 million were launched during 2011 comprising 74 units of *Magenta Homes* (single storey semi-detached house), 109 units of *Ivory Residences 2* (double storey semi-detached cluster link house), 100 units of *Indigo Homes* (double storey semi-detached house), 112 units of *Camellia Cottage* (single storey link house), 134 units of *Topaz IV* (double storey link house) and 188 units of *Pearl Villa* (double storey townhouse). Initial price of these properties ranges from RM250,000 to RM520,000. Together with previous launches, as at year end, BSP has a total of 11 on-going projects.



In Cameron Highlands, we have launched 153 units of double storey link house named as *The Vines* under Cameron Golden Hills in Tanah Rata with initial price of RM430,000 each in March 2011.

Commercial

Even as we beef up our launches for residential properties, we are not ignoring the valuable opportunities in the commercial properties sector. In February 2011, the launch of Brinchang Square (4- & 5-storey commercial units) in Cameron Highlands has received encouraging response.

RESTRUCTURING

The property market is highly correlated to the changes in economy, and it is imperative for us to be vigilant and remain versatile to the ever-changing global conditions. Along its route of growth, LBS has sailed through various economic and financial turbulences, and each time it has evolved to be stronger and more mature.

Since year 2008, we have implementing various rigorous approaches in order to improve the performance of the Group and make us more



responsive. From the measures to trim fat and conserve cash implemented in 2008/2009 to the foray into high-end development and rebrand of LBS' image in 2011, we have not been resting on our laurels.

This continuous strategic review of our business operations led to a series of corporate activities including a series of disposal that is in line with our stated aim to enhance efficiency, profitability and margins. In 2011, we disposed of 40% of our equity interest in Pristine Sunrise (M) Sdn Bhd, a 70%-owned subsidiary of LBS, so as to have greater involvement of Bumiputra talent in its future development project. We have also completed the disposal of two non-strategic lands totaling 33.2 acres in Ipoh. While we continue to monitor underperforming areas across the Group, we are also observing to increase our exposure in areas that are

encompassing better growth opportunities. In line with this, we have completed four acquisitions of equity interest in four subsidiaries from the minority shareholders. These acquisitions would enable the Group to recognise all the potential earnings derived from the on-going and future projects developed by these subsidiaries in BSP, Taman Tasik Puchong and D' Island Residence.

Another demonstration of this reshaping of the business was the decision to consider the proposed disposal of our 60% profit sharing rights in two investments in Zhuhai, China, namely the 36-hole Lakewood Golf Club and its adjoining 197-acre property development project, to its joint venture partner. As reported by the Chairman in his Statement, the proposed disposal, if materialised, would partially unlock the value of these investments and to realign our resources more prudently at homeland.

OVERSEAS OPERATIONS

Following the proposed disposal of these two investments in Zhuhai, if materialised, LBS' presence in China would be through its public listed shareholdings in Jiuzhou Development Company Limited (JDCL). Quantum of the quoted shares in JDCL to be issued as part of the consideration of the proposed disposal would be determined in the definitive agreement.





Lakewood Golf Club

Lakewood Golf Club is lying at the foot of South Mountain in Jingding Town of Zhuhai City which is only a 20 minutes drive from the city. The emphasis at Lakewood Golf Club is on its sporting excellence and relaxation. The high value of the Club makes it garnered with numerous awards, among those are the “China Top 10 Best Value Scenery Golf Club 2008” and “Best Scenery Golf Course 2007”.

In 2011, Lakewood Golf Club was awarded “Top 10 Most Outstanding Golf Courses 2011” and “Most Supportive Award for China Teenager Challenge Tournament 2011”. Numerous events were organised during the year under review, this included the Pan Delta Super Golf 2011, 2011 Dragon Boat Festival Golf Competition, 2011 Lakewood Club Championship and Members Monthly Matches.

197-acre Property Development Project

Located within and around the 36-hole golf course in the Lakewood Golf Club, the development concept envisages a series of resort living residential units such as bungalow, cluster-link detached house and luxury condominium with value added features and facilities. This concept of low density high-end landed properties within a golf course is the first of its kind in Zhuhai. This, apart from being a gated-

and-guarded community, is the project’s main selling point and appealing to affluent locals as well as those in the nearby vicinities. The concept is also expected to attract Hong Kong and Macau residents, a strong target market for high-end landed residential property in Zhuhai.

As the site is located on a major transport corridor well served by hi-tech transport networks, residents would have easy and direct access to Guangdong, Macau and Hong Kong. Taking the advantage of the commercial benefits that will be brought by the Guangzhou-Zhuhai Inter-City Light Rail Transport System where one of its 18 stations that is situated on part of the development land, commercial units are planned to be built on the parcel of land next to this station.





Construction of the Hong Kong-Zhuhai-Macau Bridge is well progressing to bolster the integration and future growth of the Pearl River Delta, China's striking economic powerhouse. This 29.6 km main bridge is jointly constructed by the three jurisdictions to cut travel time between Hong Kong and Zhuhai from three and a half hours to thirty minutes, greatly reducing transportation cost and time for goods and passengers. This world's longest sea bridge is expected to bring substantial economic benefits to Guangdong Province, thus expected to benefit the prospect of the property development activities directly.

Management & Consultancy

Besides owning and operating the Lakewood Golf Club and the proposed property development project, LBS is also providing management and consultancy services to Zhuhai International Circuit (ZIC), a prestigious car racing site of international recognition visited by many from around the world. ZIC was the first permanent motor racing circuit built in China. Completed in November 1996 to host China's first international motor race event, the 4.3 km long circuit has since become a hub

for Motorsports enthusiasts from all over the world. Built to exacting international standards and approved by the FIA (Federation Internationale DeL'Automobile), the race track offers challenging corners for spectacular overtaking maneuvers to world class drivers.

ZIC is now host to many local, regional and international races, this include Pan Delta Super Racing Festival, China Superbike Championship, Petronas Sprinta FIM Asian Grand Prix, Asian Formula International Open Competition and FIM Asian Grand Prix. In addition, ZIC helps many car manufacturers and car-related businesses stage their corporate activities. These may range from product launches, product trials to customer



incentive events. Over the last few years, ZIC has received many awards for its involvement in the promotion of motorsports in China.

2012 OUTLOOK AND GROUP PROSPECTS

The Eurozone debt crisis has appeared to be soaring, which may accelerate the situation as Greece is speculated to exit Eurozone. The latest incoming data shows that those European economies that pledged to pursue fiscal austerity programs to address their debt problems will likely to record slow or negative growth in general.

In US, the economic recovery seems to continue in 2012, however the pace has been modest and bumpy so far. The high unemployment rate and weak housing sector will likely to remain a drag on its economic growth. The two largest emerging markets, China and India, have recently signaled growth slowdown in their respective economies. The outlook for global economy in the months ahead, appears to be increasingly uncertain.

Despite the challenging external environment, Malaysia's economy managed to grow at 4.7% in the first quarter of 2012, a slightly slower pace from the 5.2% in the final quarter of 2011 and 5.1% a year ago. The domestic demand remained firm, supported by both private and public sector economy activity while exports moderated amid weaker external demand, as reported by Bank Negara Malaysia.

Low interest rate and the support from the healthy banking system with ample and accommodative funds would continue to fuel the development of

domestic property market. Higher housing and building plans approvals in 2011 signify confidence of developers and investors in the development activities. The on-going implementation of ETP through various NKEAs will likely to stabilise private investments amid shaky global economic prospects. Development in various regional economic corridors and Greater Kuala Lumpur would continue to give positive impact on property development and the market in the coming years.

Going forward, LBS would continue to uplift its market position by augmenting its geographically well-diversified land portfolio, strengthening its





products competitiveness and leveraging on its well recognised corporate brand. To improve the Group's overall profitability, LBS plans to increase its development of high-end residential properties, endeavour more efforts on medium tier products and expanding its brand recognition to the affluent customer group.

2012 continues to see more launches for the next few phases of luxury residential units in D' Island Residence comprising semi-detached houses, bungalow and bungalow lots, the medium-cost houses in BSP including the popular series of Ivory Residences as well as new phase of shop apartments in Taman Royal Lily and mixed development in Cameron Golden Hills, Cameron Highlands.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to the management team and our staff for their diligence and contributions to the Group in the past year. I would also like to thank my fellow directors, business partners, customers, suppliers, bankers and shareholders of the Group for their continued support and trust over the years.

DATO' LIM HOCK SAN
Managing Director
23 May 2012