

REVIEW OF OPERATIONS

Dear Valued Shareholders,

In 2013, Malaysia's economy posted a growth at a fastest pace of 5.1% in the fourth quarter which was above expectations of 4.8%, underpinned by the stronger manufacturing and services sectors. Despite the prolonged weakness in the external environment and lacklustre recovery in global markets, the Malaysia's economy grew at 4.7% in year 2013 which is fuelled by the sound momentum of private consumption and investment supported by stable employment conditions and sustained wage growth where the property industry particularly in residential sector generally remained encouraging in year 2013.



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At the beginning of year 2013, sales had been sluggish due to the uncertainties of the general election date. Momentum has been picking up after the election however it was subdued again after the Government introduced a series of property cooling measures under its Budget 2014, this includes increasing Real Property Gain Tax, raising threshold for foreign property purchasers to RM1.0 million and the prohibition of Developer Interest Bearing Scheme, with the aim of ensuring a more stable and sustainable property market where property prices moved in tandem with economic fundamentals. The risks were mitigated by Group's competitive products featured with affordability and its strategic location. The Group achieved its total sales of RM621 million which was mainly derived from its high-end residential project *D' Island Residence* in Puchong, medium-cost projects such as *Pearl Villa*, *Royal Ivory 2*, *Royal Garden*, *BSP Skypark*, *I-Hub Puchong* in Bandar Saujana Putra, *Brinchang Square*, *The Vines* and *SomerSquare* in Cameron Highlands and *Min Garden* in Batu Pahat.

Despite of a more challenging environment, overall 2013 was a fruitful year for LBS. The Group has charted another milestone where the Group has reap a huge Profit After Tax with ten-fold jump hitting RM397.3 million, from RM39 million last year, attributed to the disposal of its two investments in China for a total consideration of HKD1.65 billion and revenue growth from its core property developments in Malaysia.

Revenue recorded at RM533.5 million in year 2013. Profit after tax from ordinary operations increased to RM49 million in 2013, up 25.6% from to RM39 million. The revenue growth was largely attributed to smooth progress work of the Group's on-going projects in Bandar Saujana Putra, Puchong, Cameron Highlands and Batu Pahat which were underpinned by the rising demand for medium and medium-high end properties.



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Net asset per shares has increased to RM1.84 representing an increase of 57% as compared to financial year 2012. Basic earnings per share surged by to 96.1 sen from 9.6 sen last year while gearing ratio has reduced by 46% from 0.81 times in 2012 to 0.44 times in year 2013.

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Property development activities continue to spearhead the Group's revenue contribution. In 2013 property development contributed 99% of total revenue of the Group and it continues to be the main stream of income for the Group.

As at end of year 2013, the Group has 18 on-going projects out of which 7 were launched during the year. In 2013, 1610 units of various properties with total value of RM829.3 million have been completed and handed over vacant possession to the purchasers.

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Klang Valley

2013 saw the completion of the first project in LBS' award-winning high-end development for island resort waterfront living *D' Island Residence* where 122 units of three-storey superlink homes *Apicalia* had successfully delivered to the purchasers. At the end of the year, 42 units of bungalow lots and 28 units of three-storey semi-detached homes *Balvia* were also handed over the vacant possession to the purchasers.

Bandar Saujana Putra (BSP) continued to be the main contributor for the sales and revenue of the Group for the year 2013. *BSP Skypark*, the first service residences in BSP with modern facilities was launched in early 2013. It comprises 2 towers of 24-storey building with 689 units of serviced residences and 32 shop units with gross development value (GDV) of approximately RM330 million. Set as affordable price range from RM400,000 to RM650,000 per unit with built-up area from 1,004 sq. ft. for residential unit and RM770,000 for shop unit with built-up area from 1,200 sq. ft., *BSP Skypark* has received 80% take-up rate as at todate.

Next launch in BSP would be *BSP 21*, a 10-block high rise residential project on a piece of 21-acre land next to the main road of BSP. With estimated total GDV of RM1.2 billion, this project is targeted to push out in the second half of 2014 for the medium income group with initial estimated selling price from RM450,000.

“ OVERSEAS OPERATIONS total sale consideration of HKD1.65 billion ”

Besides, we are also in the midst of planning a new project for launch at Puchong in 2014. This new development project is located in the vicinity of the vibrant town of Puchong. It is about 48 km to the south-west of Kuala Lumpur City Center. Accessibilities are from Jalan Puchong, Shah Alam Expressway, Lebuhraya Damansara-Puchong and the South Klang Valley Expressway. With estimated total GDV of RM301.2 million, this project comprises 871 residential units targeted to the medium-high income group. The first phase of this project comprises 224 units of double-storey cluster link homes and 14 units of double-storey semi-detached homes with total GDV of RM140 million is expected to be unveiled in the second half of 2014.

Cameron Highlands

Launched in October 2012, *SomerSquare I & II* of *Cameron Golden Hills* continued to receive good response in the year 2013 of which about 72% has been duly sold as at todate. *SomerSquare I & II* comprise 192 shops and residential apartments. It is the first two blocks of the six-block shop and residential apartment project under the *Cameron Golden Hills*, located in between two well-developed centres, Tanah Rata and Brinchang.

Following the encouraging take up rate in *SomerSquare I & II*, we launched the first block of *Barrington Square* in August and the second block in November 2013. Comprising 3 blocks of seven-and-a-half-storey shop apartment with total 381 apartments and 36 shops, *Barrington Square* is targeted at medium income group and young entrepreneurs.

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The apartment units have a built up area ranging from 581 sq. ft. to 1,345 sq. ft. Incorporated with English Tudor inspired architecture, *Barrington Square* offers three designs namely, studio unit which is one-room apartment priced from RM332,800, typical offering two-rooms priced from RM401,800 and penthouse which offers two to three rooms priced from RM532,800. Meanwhile, the shop units located on the lower level of each block, have a built-up area from 1,001 sq. ft. and are priced attractively from RM750,800.

Noteworthy features of *Barrington Square* include a roof top garden on the seventh floor. Offering a common area for residents to unwind, the garden features a reflexology path surrounded by greenery which blends in with the lush environment.



we will continue to manage and evaluate the development of all our projects caters to different potential market segments from affordable, mid to high-end developments.



Subsequent phase of *Barrington Square* has been launched in March 2014. The premium three-storey semi-detached residence *Barrington Homes* was unveiled in April 2014 in conjunction with the official opening of LBS signature sales office in Brinchang. With a five bedroom and seven bathroom layout, these English Tudor-styled homes feature spacious living areas with double volume ceiling height at the dining area within a guarded community. With a layout size of 4,385 sq. ft. and priced from RM1.7 million, *Barrington Homes* is due for completion in 2016.

In the second half of 2014, *Cameron Golden Hills* will see the launch of 90 units of three-storey and four-storey town houses. With total GDV of about RM57 million, this type of residence is new in the highlands. Planned with initial selling price at affordable level, this landed residential project is expected to receive good response.

Bandar Putra Indah

Rounding off the year was the official launch of the *Magma Garden* in Bandar Putra Indah, Batu Pahat. The launch ceremony was officiated by Johor Menteri besar, Datuk Seri Mohamed Khaled Nordin. *Magma Garden* comprises 1,658 single-storey terrace homes priced affordably at RM150,000. The first phase comprising 612 units which are opened for sale, has a gross built-up area of 1,022 sq. ft. with each unit situated on a 20 ft. by 65 ft. land area. Phase 2 and 3 comprising 804 units of the same size are in the pipeline for launches. The remaining 242 units with smaller land size are planned to be launched in year 2015.

Emerald Garden is also single-storey terrace home but it comes with larger built-up of 1,519 sq. ft. A total of 166 units with total GDV of RM43 million were launched in June 2013 with total take-up rate of 92% as at today.

In early 2014, 42 units double-storey terrace homes with land area 22 ft. by 75 ft. *Ivory Garden* was launched in March 2014 with total GDV of RM16.2 million. Priced from RM388,000, a total of 36% have been duly sold as at today.

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In the years to come, more projects under Bandar Putera Indah will be introduced to the public to cater the increasing demand both in residential and commercial units in the affordable and medium price segment.

Kuantan

Sinaran Mahkota, a new development project launched by LBS in January 2014 is strategically located in the township of Bandar Indera Mahkota tapping into the growing potential of the Malaysia-China Kuantan Industrial Park. The development comprises 2 & 3 storey shop office, retail units, and service apartments. Phase 1 of the project comprises 121 units of 2 & 3 storey shop office with total GDV 109 million has received take-out rate of 32% since its launch in January 2014.

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Zhuhai International Circuit

After the disposal of investments in China, LBS had in October acquired 60% interest of Zhuhai International Circuit (ZIC) via exercising the option to acquire the entire interest of Lamdeal Investment Limited for total consideration of USD1.00 only.

ZIC is 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.

Despite the gestation period for this business is long, in view of its potential opportunity for the Group to venture into property development, we consider it to be viable long-term investment that would contribute significantly towards enhancing value to shareholders in the future.



Zhuhai Holdings Investment Group Limited (Zhuhai Holdings)

The disposal of investment in China has emerged LBS to be the second largest shareholder in Zhuhai Holdings.

For the financial year ended 31 December 2013, revenue of Zhuhai Holdings recorded HK\$1,107.8 million, representing an increase of about 14.5% as compared to approximately HK\$967.5 million (restated) of last year. Profit for the year recorded at HK\$250.8 million, comparing to HK\$118.6 million (restated) for last year. Basic earnings per share for the year 2013 were HK17.23 cents as compared to HK6.18 cents last year. With the commendable results, Zhuhai Holdings recommends final dividend of HK\$2 cents and special dividend of HK\$1 cent for financial year 2013 to be paid in June after the approval of shareholders. Accordingly, this would bring dividend income of about HK6.8 million to LBS in the financial year 2014.

As for the 197-acre development project in Lakewood Golf Club, preliminary works such as planning and construction design were commenced in December 2013. Phase 1 of the project is targeted to be launched at the end of the year. Planned to attract high net worth customers, this project was developed with collaboration with Greentown Construction Management Company Limited, a renowned property developer in China.



The Group will stay focus and nimble to seize opportunities and achieve sustainable growth and value for all our stakeholders.



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2014 OUTLOOK AND GROUP PROSPECTS

As I pen these thoughts, we have already seen Malaysian economy advanced 6.2 percent year-on-year in the first quarter of 2014 driven by resilient domestic demand and stronger export. Global economy is anticipated to pick up this year however as we could see in the first 4 months, it is continuing with its slow pace, creating both opportunities and challenges as it does so.

In responding to the challenging market environment, the Group is currently in its planning stage for the launch of *Centrum* in Cameron Highland, an integrated township development on a piece of 98-acre land in heart of Brinchang with estimated GDV of RM2.7 billion and the *BSP 21* in BSP.

In reaping the opportunities in the changing economy development, we see the vast inherent potential in other growth cities which we have already embarked on the replenishment strategy for our land bank after the completion of the disposal of investment in China. I was glad to note that in the past 4 months, we have successfully seized 4 projects with estimated total GDV of RM3.6 billion into our landbank:

- Joint venture property development project on a piece of 5.35-acre land in Gohtong Jaya, Pahang with estimated GDV of RM370 million;
- Two parcels of lands measuring 4.32 acres acquired through tender from Employee Provident Fund for a total consideration of RM71.8 million. These lands are adjacent to the 1.18 acres of land acquired in 2013 located in the Center Business District, Zone A of Iskandar Malaysia, Johor, making these three parcels of lands a 5.5-acre land that brings to greater GDV of RM2.0 billion.
- One parcel of 6.25-acre land in Kota Kinabalu, Sabah for a total consideration of RM72.5 million with estimated GDV of RM450 million.

- Joint venture project in three parcels of lands measuring 10.6 acres in Tampoi, Johor for an estimated GDV of RM815 million.

The realignment of corporate focus to its homeland will in essence enable us to enhance and concentrate the source of income synergistically and thus provide better return on investment to our stakeholders. Applying the prudent manner and mitigating risks would continue to the leading approach in executing this strategy.

Moving forward, we will continue to manage and evaluate the development of all our projects caters to different potential market segments from affordable, mid to high-end developments. We would continue in re-strategizing LBS business model, revamping products and marketing strategies in turning or shaping its vision to be an international recognised developer, building and inspiring delightful spaces that enhance community living into reality through building inspiring living spaces and sustainable communities.

APPRECIATION

Although 2014 may be challenging, the Group's core values of passion, unity and progressive innovation, coupled with teamwork, resilience and an unflinching commitment towards excellence will drive LBS through the uncertain environment. The Group will stay focus and nimble to seize opportunities and achieve sustainable growth and value for all our stakeholders.

I would like to express my fellow directors for invaluable counsel and guidance. To the management and staff, thank you for your hard work and dedication in building LBS to what it is today. At the same time, I would also like to thank all our business partners for their continued support and trust over the years.

DATO' SRI LIM HOCK SAN

Managing Director

25 May 2014