

Review of Operations



DEAR VALUED SHAREHOLDERS,

During the year under review, the Group has posted a record high Revenue of RM668.3 million, representing an increase of 25.3% as compared to 2013. Profit After Tax up by 37% to RM67.1 million in 2014 from RM49 million without taking into consideration of the gain upon disposal and acquisition of our investments in China in year 2013. The revenue growth was largely attributed to smooth progress work of the Group's on-going projects in *Bandar Saujana Putra (BSP)*, Puchong, Cameron Highlands and Batu Pahat which were underpinned by the rising demand for medium cost properties.

DATO' SRI LIM HOCK SAN
Managing Director

Review of Operations

The Group enjoys excellent financial flexibility with total assets of

RM2.2
BILLION



FINANCIAL REVIEW

The Group ended the year 2014 with a cash and cash equivalent balance of RM267.8 million. Cash flow of RM96.7 million was generated from investment and financing activities while total gearing ratio stood at industry's healthy level of 0.5 times. In addition, the Group enjoys excellent financial flexibility with total assets of RM2.2 billion.

Property development activities continue to spearhead the Group's revenue contribution. In 2014 property development contributed 92.0% of total revenue of the Group and it continues to be the main stream of income for the Group. Other segments including construction, motor racing circuit, trading and others contributing the remaining 8%.

2014 OUTLOOK

The global economies were seen volatile in 2014 amid uncertainties over economic growth and concerns about the stimulus program of the Federal Reserve. Central banks of major economies maintained interest

rates at their unprecedented low levels. Despite of China delivered growth outshined most other major economies, expectations of slower growth in the future weighed heavily on market sentiment and contributed to significant commodity price falls. The United States, Europe and Japan recorded economic recovery at different paces. The Quantitative Easing program in United States ended in October 2014, however interest rate hikes is still uncertain. On the other hand, economic data of most of the European countries remained weak in 2014.

Domestically, weak buying sentiment property cooling measures implemented in 2013 continued its effect in the demand for properties in year 2014. Property market in the first half of the year 2014 showed growth but with lower rate. The impending implementation of Goods and Services Tax in April 2015 also affecting the market sentiment in the year 2014.



Review of Operations



contributors making up 56% of the total sales in year 2014.

Bandar Saujana Putra

BSP continued to be the main contributor for the sales and revenue of the Group for the year 2014. *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 RM339 million. Set as affordable price range

BSP and D' Island Residence continued to be the anchor contributors making up 56% of the total sales in year 2014.

MALAYSIA OPERATIONS

Under this challenging environment, the Group remains resilient and achieved its total sales 1,270 units of properties with value of RM644.4 million, a marginal increase of 3.8% as compared to year 2013. Out of the RM644.4 million, 82% are made up of residential units. Properties in the range of RM400,000 to RM1.0 million range is still the most popular products forming 54% of the total sales last year.



As at the end of year 2014, the Group has 18 on-going projects out of which 6 were launched during the year. In 2014, 798 units of various properties with total value of RM487.7 million have been completed and handed over vacant possession to the purchasers.

Klang Valley

The Group has two projects in the Klang Valley which are *BSP* township and *D' Island Residence*. These two projects continued to be the anchor

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 95% take-up rate as of today and it is expected to handover the vacant possession to purchasers in the second half of 2015.

The success of *BSP Skypark* lead to the early launch of another high-rise residential project in *BSP*. *BSP 21* is 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 RM1.4 billion. Block A, B and D comprising 668 residential units were launched in December 2014 at the initial selling price from RM274,900 (610 sq ft) per unit. Response received was overwhelming with over 77% take-up rate for all the three blocks within 4 months. The opening of new block C and E would be targeted in the second half of 2015. With emphasis of granting the residents life enriched under the theme of "Live 21 Hours of Happy!" where over 70 facilities will be provided on a cumulative 8-acre land/

Review of Operations

floor space comprising Active Zone for energetic activities and Quiet Zone for relaxing events, we have confident that this project continues to receive good response.

In 2015, *BSP* township would see the launch of the affordable house *Rumah Selangorku*, an affordable housing development project comprising a total 1,312 units of affordable houses introduced in line with the state government's effort in lowering the bar for public to own house at affordable prices in Selangor. This housing project involved the building 1,048 units of apartments with built-up area 900 sq. ft. to be sold at RM180,000 each and 264 units of apartments with built-up of 800 sq. ft. to be sold at RM150,000 each.

It is our commitment to make this 850-acre *BSP* township a living habitat that is safe, healthy, more convenient and pleasure by constantly injecting more improvements and enhancements into this township. Anti-climb fencing and eco-friendly LED street lamps have been installed; 6-lane main road has replaced the old 4-lane roadway and areas for well-maintained landscape is increasing. These are merely few cases in our list. More enrichments activities are in the pipeline and I would append these in my report to you next year.

D' Island Residence

Under cooling measures imposed by government, high-end properties has seen its moderation in demand. Riding on the back of changing market sentiment, we have decided to withhold few of our launches in *D' Island Residence* while amending



the certain plans to fit the changing demand. During the year, we revised our strategy and introduced a new product, i.e. the double storey semi-detached homes *Corallia* priced at a much attractive range from RM1.6 million per unit. *Corallia* was launched in first quarter of 2015 and received encouraging response.

We aim to introduce the first high-rise residence in *D' Island Residence* namely *SKYVILLA* in year 2015. The first high-rise project in this island-feature development, *SKYVILLA* will blend seamlessly the two blocks of 17-storey buildings on site featuring 352 residential units with 13 units on each floor. Offering units ranging from 1,026 sq. ft. to 1,218 sq. ft., this project is tagged at an appealing price from RM635,900.

New Project in Dengkil

2015 would see the launch of another new project *Desiran Bayu*, a Malay reserved residential project strategically located in Puchong

South with design concept of "A Living Tradition". The double storey cluster-linked semi-detached homes with land area from 30 ft. by 60 ft. and the double storey semi-detached homes with land area from 40 ft. 70 ft. would be selling from RM550,000 per unit and RM570,000 per unit respectively. Phase 1 to 3 comprises 240 units of double storey cluster-linked semi-detached homes and 18 units of double storey semi-detached homes would be launched in the third quarter of 2015 bringing a combination initial GDV of RM147.0 million.

Pahang Cameron Highlands

Launched in October 2012, *SomerSquare I & II* of *Cameron Golden Hills* comprise 192 shops and residential apartments are expected its handover of vacant possession in 2015.

We have launched first two blocks of *Barrington Square* in 2013 and last block was launched in 2014.

Review of Operations

Comprising 3 blocks of seven-and-a-half-storey shop apartment with total 381 apartments and 36 shops, *Barrington Square* was targeted at medium income group and young entrepreneurs. The apartment units have a built up area ranging from 589 sq. ft. to 1,044 sq. ft. Incorporated with English Tudor inspired architecture, *Barrington Square* offers three apartment designs namely, studio unit which is one-room apartment priced from RM332,800, typical apartment offering two-rooms priced from RM401,800 and penthouse which offers two to three rooms priced from RM537,800. 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.

46 unit of two and three storey semi-detached residence *Barrington Homes* were unveiled in 2014 in conjunction with the official opening of LBS signature sales office in Brinchang. With a five bedroom and seven bathroom layout, the three storey English Tudor-styled landed properties come with a layout size of 4,385 sq. ft. and priced from RM1.7 million. The double storey semi-detached homes have gross built-up of 2,516 sq. ft. are priced from RM968,000. First batch of *Barrington Homes* is expected its completion in 2016.

In the launching pipeline for *Cameron Golden Hills* in 2015 is *SomerHomes* comprising a total of 30 units double storey semi-detached homes priced from RM1.3 million and a total of 77 units of double storey linked house *Vines 2* at RM700,000 per unit onwards.



Gotong Jaya

In December 2014, we have launched another new project *Midhills* at Genting Permai in the vicinity of Gotong Jaya. *Midhills* is a mixed development comprising 610 units of furnished service apartments under 3 blocks with various sizes and a hotel block with 186 rooms with estimated total GDV of approximately RM409.9 million. Phase 1 comprises 192 units of furnished service apartments with total GDV of RM100.3 million was priced from RM404,900.

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 apartment. Phase 1 of the project comprises 121 units of 2 & 3 storey shop office with total GDV113.7 million has received take-up rate of 40% as of today.

Johor Batu Pahat

Bandar Putera Indah township has contributed 19% toward the Group's sales in 2014.

Magma Garden comprises 1,416 single storey terrace homes priced affordably at RM150,000 continued to receive encouraging response with 60% of the first phase (612 units) duly sold as of today. It 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.

Ivory Garden is double storey terrace homes with gross built-up from 2,728 sq. ft. Phase 1 comprising 207 units with total GDV of RM82 million were launched in 2014. Priced at affordable range initially from RM388,000, it received good response with total take-up rate of 82% as at today.

In the first quarter of 2015, we have launched 64 units of double storey semi-detached homes *Royal Garden*

Review of Operations

with total GDV of RM42 million and 58 units of low-cost shop with total GDV of RM10 million. Phase 2 of *Ivory Garden* comprising 185 units with total GDV of RM86 million is targeted to launch in the second quarter of 2015.

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

Iskandar Malaysia

During the year, we have further expand our presence in the State of Johor particularly in the Iskandar Malaysia and nearby town by acquiring the 5.5-acre land in Zone A of Iskandar Malaysia and the 6.6-acre land in Danga Bay.

Our view and observation of Iskandar Malaysia is not a short-term plan bring us to this decision. The slowing down in property demand in Iskandar is merely a short term phenomena where speculators had in early years purchased property ahead of market which this drove price ahead of its times. This 2217 sq. km. Iskandar Malaysia is meant to be a long-term plan to attract homebuyers and investors. It is estimated to have 1.35 million people or 43 per cent of Johor's population of 3.17 million by 2025. About 66 per cent of the population is expected to be of working age. From 2006 till end of 2014, Iskandar Malaysia has secured total cumulative committed investment of RM158.13 billion out of which 49% has been realized as projects on the ground,

as reported by Iskandar Malaysia Development Authority.

We remain optimistic that Iskandar Malaysia will continue to attract stable inflow of investments and is well on track to realizing its long term goals.

OVERSEAS OPERATIONS

Zhuhai International Circuit

After the disposal of investments in China, LBS had in October 2013 acquired 60% interest of Zhuhai International Circuit (ZIC) via exercising the option to acquire the entire interest of Lamdeal Investment Limited for a 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.

We view ZIC as a long-term investment which gives the Group chance to diversify into integrated tourist attraction. To unlock the value of this 264-acre land, the Management planned to work with its local partner on an upgrading and transformation plan that includes development of



commercial mall, residential units, exhibition hall, sports center, Malaysia cultural and information center.

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.

Zhuhai Holdings is the only Zhuhai-based red chip company listed in Hong Kong. With a large portion of state-owned core quality assets in respect of transportation, tourism and public utilities in Zhuhai, its businesses cover various sectors such as city energy supply, tourism properties, maritime transportation, port terminals operation, hotel services, theme attractions, maritime tourism, golf and travel agency services etc. It owns the largest high-speed ferry company and waterway passenger port in the country, the third largest maritime tourism brand and the largest passenger port cluster in South China, which allow it to gain extensive experience in the operation and management of maritime transportation and the tourism industry.

Review of Operations



For the year ended 31 December 2014 the consolidated revenue of Zhuhai Holdings Group achieved HK\$1.7 billion, representing an increase of about 57.0% as compared to HK\$1.1 billion (restated) of last year. Gross Profit of the Group increased by 57.5% to HK\$530.5 million and Profit for the year recorded at HK\$162.3 million, comparing to HK\$257.2 million (restated) of last year. The net profit attributable to ordinary equity holders of the Company was approximately HK\$59.3 million, representing a decrease of 71.8% as compared with last year. Basic earnings per share for the year were HK4.20 cents.

Phase 1 of the 197-acre mixed development project known as Cuihu Xiangshan (翠湖香山) was launched for pre-sale in October 2014. It recorded the highest number of presale villas in Zhuhai. As of today, about 80% of the Phase 1 comprising 194 units of villas with total GDV of RMB1.65 billion has been taken up. Phase 2 of the project comprising high-rise residential units has commenced its construction work and is expected to launch for pre-sale in mid of 2015.

2015 OUTLOOK AND GROUP PROSPECTS

Soft commodity prices, persistently low interest rates but increasingly divergent monetary policies across major economies and weak world trade are factors affecting the global economic growth.

In Malaysia, we expect that various headwinds will keep a lid on home-buying demand, hence prices of residential properties are expected to remain on a path of moderation in 2015. These include the continued enforcement of cooling measures

amid the tightened credit environment and the implementation of Goods and Services Tax.

Despite the above, the domestic economy outlook is positive for the year ahead given the Government's efforts to address the challenges of global economic conditions and strengthen the domestic economy through revisions to the National Budget 2015. Our existing interest rate remains accommodative and supportive of the economy despite most central banks in Asia have cut their interest rate this year.

We have several other new property projects in the pipeline, which will boost returns and in our view will add significant value to the Group. In early of 2015, we have committed to another integrated township project for 785.4 acres, one industrial development project for 47.13 acres and we are in negotiations for several other projects which should be consummated within 2015 calendar year.

The Group will continue to adopt a sustainable growth strategy,



Review of Operations

leveraging on winning partnerships and long-term relationships. Whilst we are poised to capture growth opportunities, the Group cautiously monitors the markets and adopts appropriate approaches in different situation.

We continue to observe closely the changing macro economic conditions and remain selective on investment that will create the optimum value. We strike to further strengthen our sales and operations for better products competitiveness. Under the circumstance that there is no indication of easing the property cooling measures, we would be selective in expanding our land bank, whilst waiting for opportune timing in new projects launching.

Moving forward, we will continue to manage and evaluate the development of all our projects cater 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 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.

We firmly believe persistent and sustainable development are crucial elements to success in this industry. LBS will uphold its courage to transform, while maintaining modesty and determination. We will continue to deliver quality products and strive to make the right decisions.

APPRECIATION

I would like to express thankful to 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.

We firmly believe persistent and sustainable development are crucial elements to success in this industry.

The inherent cyclical nature of the property market brings the year ahead to further challenges but we will continue to maintain our focus on the long-term, as we have always done. I am confident that the Group's extensive experience will enable LBS to navigate the path ahead successfully and take hold of every opportunity to further our expansion.

I look forward to the future with optimism, and I invite you to join us in this course.

DATO' SRI LIM HOCK SAN

Managing Director

23 April 2015



To embrace innovation and creativity is the start of a better tomorrow.

Choosing to be different, to relentlessly seek better answers is the road towards redefining industry benchmarks and setting new trends.



