



REVIEW OF OPERATIONS

DEAR VALUED SHAREHOLDERS,

During the year 2015, the Group has seen another year of improvement with our property development business trended favorably and our sales hit a record high of achieving billion-ringgit milestone. The commendable sales performance was mainly attributed to strong demand for its projects in *Bandar Saujana Putra ("BSP")* and *D' Island Residence* in Klang Valley.

FINANCIAL REVIEW

For the financial year 2015, the Group delivered another favorable results, posting Revenue and Profit Before Tax ("PBT") of RM680.3 million and RM108.1 million respectively. These represent approximately 2% increase in revenue and 4% increase in PBT against the results recorded in the preceding year 2014. The improvement was mainly attributable to the progressive recognition of revenues from the high rise projects at BSP and *D' Island Residence* in Klang Valley, *Cameron Golden Hills* in Cameron Highlands and *Midhills* in Genting Highlands. In addition, there were few landed projects in Klang Valley were at their final stage of completion during the year 2015. Nevertheless, the unbilled sales of approximately RM1.0 billion as at 31 December 2015 provides comfortable future earnings for the Group.

Following a series of active land procurement exercise and acquisition of non-controlling interests as

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well as higher works done for the development projects, the Group ended the year 2015 with a cash and cash equivalent balance of RM154.4 million, a drop of 42.3% from 2014's figure of RM267.8 million. However, the gross gearing ratio remains at industry's healthy level of 0.56 times with better financial flexibility backed by total assets of RM2.4 billion.

Our main business segment, which is property development, continues to spearhead the Group's growth in year 2015 and it is expected to continue to be the main stream of income for the Group. Property development segment contributed 85.0% of the Group revenue while other segments including construction, motor racing circuit, trading and others contributed the remaining 15%.

ECONOMIC OVERVIEW 2015

Following the deterioration of global commodity with oil prices remain stuck at historical lows, depreciation of Malaysian Ringgit against United State Dollars, financial market turbulence and sudden reversal of capital flows, Malaysia grappled with severe economic headwinds in year 2015.

At the domestic front, more stringent loan requirements and lackluster consumer sentiment upon the implementation of goods and services tax have affected the performance in the local property market. Nevertheless, Malaysia's economy in the fourth quarter of 2015 expanded at 4.5 per cent and full-year growth at 5.0 per cent, which was slightly higher than economists' forecast of 4.9%, underpinned by the manufacturing sector. In addition, the implementation of goods and services tax, effective 1 April 2015 and execution of subsidy rationalization by the government certainly help to support fiscal consolidation to ensure the stability of the Malaysia economy.

MALAYSIA OPERATIONS – PROPERTY DEVELOPMENT

Under this challenging environment, the Group remained resilient and 1,584 units were sold during the year 2015, translating to a sales value of RM1.092 billion, which has outperformed industry level with impressive increase of 60% in sales as compared to year 2014. The key developments which had contributed to LBS in achieving its 2015 sales target were projects located in Selangor with a total sales contribution of approximately RM857 million.

REVIEW OF OPERATIONS

As at the end of year 2015, the Group has 15 on-going projects with gross development value ("GDV") of approximately RM2.1 billion, out of which 7 were launched during the year. In 2015, 1,686 units of various type of properties with total value of RM798.6 million have been completed and followed by hand over of vacant possession to the purchasers.

KLANG VALLEY

As at end of year 2015, 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 contributors making up 83.0% of the total sales in year 2015.

Bandar Saujana Putra

BSP, a township that was launched in year 2003 with population over 30,000 was rewarded with a prestigious award the 'Five Star Development Marketing, Malaysia' at the Asia Pacific Property Awards

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("APPA") 2015. The award recognised the successful marketing strategy and campaign of the project and represented it is well-positioned to meeting the increasing demands for quality homes.

The Group still has about 161.5 acres of land in BSP with total GDV of RM4.2 billion, out of which approximately 100 acres are designated for mixed development comprising shopping mall, service apartment, hotel, retail shops and sport center. Part of the said land is allocated for high-rise and affordable housing known as '*Rumah Selangorku*'.

BSP Skypark, which was launched in 2013, is the first service residences in BSP with modern facilities and has received 96% take-up rate as of today. Vacant possession of completed property was handed over to purchaser in the year 2015.

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 RM1.4 billion was launched in December 2014.

BSP 21 has also gained recognition from APPA 2015 and crowned with 'Highly Commended Apartment', a testament for our affordability not at the expense of quality, design and sustainable living. The first five blocks launches received 93% take-up rate as of today. We are confident that this project would continue to receive good response in the market with contribution of about RM380 million in sales for year 2016.

In 2015, the Group had launched its commercial units known as *BSP Village*. It is designed to fulfill the social and commercial needs of the residents in BSP as well as allowed us to tap into the growing populations of BSP. With the opening of MAHSA University in the vicinity in September 2015, it attracted strong interest with 68% take-up rate and the remaining units are targeted to be fully snapped up in the next few months.

Besides, *Rumah Selangorku*, an affordable housing development project known as *BSP Bayuan Mas* comprising a total of 1,312 units of affordable houses and 24 units

REVIEW OF OPERATIONS

of shops would be launched in year 2016 in line with the state government's effort to encourage the public to own house at affordable prices in Selangor. This housing project involved the building of 1,048 apartments units with built-up area of 900 sq. ft. to be sold at RM180,000 each and 264 apartments units with built-up area of 800 sq. ft. to be sold at RM150,000 each.

It is our commitment to make this 850-acre township a place that is safe and convenient by constantly providing more improvements and enhancements. In year 2015, residents have seen the lake near *Camellia Cottage* being beautified and installed with new walkway and outdoor gym facilities; the relocation of more organized and convenient venue for night market and the increased areas for well-maintained landscape.

We are of the view that residential properties within an integrated project have a greater appeal because of the surrounding lifestyle amenities compared to a standalone project. Under the urbanization planning, besides sustainable development, integrated development where space optimization and resource efficiencies have been given much emphasis lately. A good integrated development equals to having an optimal mix of quality retail, commercial and residential spaces, all seamlessly integrated to provide the day-to-day convenience and comfort for people to reside, work and relax. Thus, well-designed, well-built and well-managed projects located around key business centres

and transport hubs have done well and are expected to stay relevant over time. We make this one of the prime criteria in our land bank sourcing process. In the meantime, our plan for future development in BSP township has already reflected this trend under the theme of "One BSP".

While BSP is in its midst of concluding the final phase with only about 19% land undeveloped, we are in the midst of exploring new joint venture partners who shared our vision and plan for joint venture development to start another township project in the Klang Valley.

D' Island Residence

In light of the challenging market conditions in year 2015, the Group has revised its products strategy in *D'Island Residence* by introducing the double storey semi-detached homes *Corallia* priced at a much attractive rate from RM1.6 million per unit onwards. On top of that, the Group continues with its effort



to devise way of attracting demands, which include launching of the first high-rise condominium *SKYVILLA* in this island-feature development with appealing price from RM649,900 onwards. The focus on the revised portfolios in *D-Island Residence* would continue to persist as both projects have received encouraging response.



REVIEW OF OPERATIONS

In addition, the Group will also unfold new phase of Nautilus, 53 units of double storey super-linked homes, and its second high-rise development in *D-Island Residence* named as *Harbour Front* in year 2016 with combined GDV of approximately RM663 million.

Desiran Bayu, Puchong

Desiran Bayu, which is located next to our premier development *D'Island Residence*, is poised to meet the increasing demands for affordable homes within the Klang Valley. Subsequent to the market research done internally, the management will be launching Phase 1 to 3 *Desiran Bayu*, comprising 236 units of double storey linked homes, 88 units of double storey cluster-linked semi-detached homes and 6 units of double storey semi-detached homes in second half of 2016. These properties are priced between RM470,000 and RM880,000 per unit. The entire project is expected to contribute a GDV of RM375.8 million.



Klang and Shah Alam

Two new industrial parks named as *Telok Gong Industrial Park* in Klang and *Taman Perindustrian Shah Alam @ U10* are planned for launching in 2016. The former comprises a total of 96 units of semi-detached factory, bungalow factory and low cost factory with total estimated GDV of RM295.0 million while the later consists of 13 exclusive parcels of vacant detached plots for light industrial use with total land area of 52.9 acres, carrying a GDV of RM243.6 million.

PAHANG

Cameron Highlands

46 unit of two and three storey semi-detached residence known as *Barrington Homes* were unveiled in 2014 in conjunction with the official opening of LBS signature sales office in Brinchang. With a five bedrooms and seven bathrooms 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. As at end of 2015, it had received positive response with take-up rate of approximately 60%. First batch of *Barrington Homes* is expected to complete in 2016.

Two projects are in the launching pipeline for year 2016. One of the projects is 77 units of double storey linked house *Vines 2* priced from RM700,000 onwards with GDV of RM58.3 million. Another is Phase 1 of *Cameron Centrum* comprises shop units and hotels with total GDV of

RM252 million, of which 58 units of shop with estimated GDV of RM178.3 million.

Gotong Jaya

In December 2014, we have launched another new project *Midhills* in 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 RM413.3 million. Phase I comprises 192 units of furnished serviced apartments with total GDV of RM103.5 million and priced at RM422,900 was launched in year 2014.

We believe that the upcoming world first 20th Century Fox World Theme Park and the Genting Premium Outlet in the Genting Highlands will spur the dynamic in this vicinity which in turn will increase the potential of Midhills.

JOHOR

Batu Pahat

Bandar Putera Indah township has contributed 11% toward the Group's sales in year 2015.

Magma Garden comprises 1,416 single storey terraced homes out of which 465 units were launched in 2013 and has received overwhelming response with a take-up rate of 97% as of today. The overwhelming response was supported by its attractive pricing of RM150,000 and ideal location in the heart of Batu Pahat. 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.

REVIEW OF OPERATIONS



Ivory Garden is two storey terraced homes with gross built-up of 2,728 sq. ft. Phase 1 comprising 207 units with total GDV of RM83 million were launched in 2014. Initially, priced at an affordable range from RM388,000 onwards, it has received encouraging response with a total take-up rate of 86% as at today, recording a cumulative sale of RM70.8 million. Phase 2 with its 44 units launched in mid-2015 continued to receive good response.

Apart from that, in the first quarter of 2015, we have launched 22 units of double storey semi-detached homes *Royal Garden* with total GDV of RM14 million and 58 units of low-cost shop with total GDV of RM10 million.

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.

MALAYSIA OPERATIONS – CONSTRUCTION

Subsequent to the Company becoming a substantial shareholder of ML Global Berhad (“MGB”) in August 2014, the Company has further increased its stake in MGB to 31.95% as of March 2016 from 22.06% in year 2014 as the Group expects this investment will generate synergies and more shareholder values in the future. The last two quarters of MGB’s result have already shown improvement and turned in profits in year 2015. MGB was uplifted from a PN 17 status with its securities traded as regular on the Main Market of Bursa Malaysia effective 11 March 2016.

When I pen down this note, MGB has already become our subsidiary with the acceptance of 18.97% equity shares offered at RM0.56 each. Consequential from the acceptance of the offer, we have triggered the

obligation to extend a general offer to acquire all the shares and warrants of MGB not yet owned by us under Section 218(2) of the Capital Markets and Services Act, 2007.

We perceive MGB’s businesses are complementary to our property development and construction activities. The said shares acquisition undertaken by the Company is to gain control of MGB in order to drive the future strategic direction and business expansion of MGB. This enables us to exercise management and operational control over the MGB Group’s businesses with a view of improving its future financial performance and correspondingly enhance the value of the Company’s investment in MGB.

OVERSEAS OPERATIONS

Zhuhai International Circuit (“ZIC”)

ZIC is a prestigious motorsport racing circuit recognized internationally 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.

REVIEW OF OPERATIONS

To create more value of this 264-acre land, the Management together with its local partner are seeking local authorities' approvals on an upgrading and transformation plan to transform the racing circuit into a mixed development comprising motor sports, tourism and cultural elements. The transformation plan is in line with the 21st Century Maritime Silk Road strategy introduced by China President Xi Jinping and is also riding on the establishment of "Friendly State and Province" between Malacca State and Guangdong Province. The transformation plan includes, among others, upgrading of the race track and development of a motor sports-themed hotel, exhibition hall catering to the racing industry, theme park, premium outlet and also Malacca cultural and information center.

In March 2016, we have initiated the transformation plan with the launching ceremony for its Malacca Cultural and Trade Centre and

Malacca Cultural Festival in Zhuhai co-officiated by Malacca's Yang di-Pertua Negeri, Tun Datuk Seri Utama Mohd Khalil bin Yaakob, Chief Minister of Malacca, Datuk Seri Ir. Haji Idris Haron and Guangdong Governor, Mr Zhu Xiaodan.

On top of that, the value of the ZIC land could be further enhanced by the completion of the 29km Hong Kong-Zhuhai-Macau bridge, which is targeted to be completed in early 2017. The bridge opening is set to give a further boost the economy particularly the tourism industry in Zhuhai City. We aligned our strategy to tap onto this advantage to incorporate tourism segment into the transformation plan.

Zhuhai Holdings Investment Group Limited ("Zhuhai Holdings")

LBS currently is one of the substantial shareholders of Zhuhai Holdings.

Zhuhai Holdings is a 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.

For the financial year ended 31 December 2015, the consolidated revenue of Zhuhai Holdings Group achieved HK\$3.1 billion, representing an increase of about 76.3% as compared with HK\$1.7 billion last year. Gross Profit of the Zhuhai Holdings Group increased by 44.0% to HK\$764.1 million and Profit for the year recorded at HK\$301.5 million, comparing with HK\$162.3 million last year. The net profit attributable to ordinary equity holders of Zhuhai Holdings was approximately HK\$124.7 million, representing a decrease of 110.1% as compared with last year. Its basic earnings per share for the year were HK\$8.77 cents.

Zhuhai Holdings's 197-acre mixed development high-end project known as Cuihu Xiangshan (翠湖香山) was honoured as one of the Top 10 Super-deluxe Homes in Asia in 2015. Following the overwhelming response to Phase 1 villas project in 2014, high-rise project in the Phase 2 has achieved robust sales in 2015 where all units were sold out on the launch day, creating another sales legend for this project. This project has contributed about RMB435



REVIEW OF OPERATIONS

million in revenue to Zhuhai Holdings in its financial year 2015.

A final dividend in respect of the year ended 31 December 2015 of HK2 cents (2014: HK1 cent) per share, amounting to a total dividend of HK\$28.6 million is to be proposed at its forthcoming annual general meeting in May 2016.

2016 OUTLOOK AND GROUP PROSPECTS

The challenges we saw last year set to continue into the 2016 financial year. However, our long-term strategy remains unchanged with focus on our growth strategy revolved around domestic property market, particularly in the states of Selangor, Johor and Pahang. The group will continue to observe with vigilant the progress of macro market environment. We believe that the down-cycle leads to land bank acquisition opportunities. Nevertheless, the Group employs a conservative funding and treasury strategy in land banking exercise as bulk of our land bank acquired were in the form of joint ventures, thus allows the Group to consistently keep a comfortable level of gearing.

We will continue to adopt a sustainable growth strategy, leveraging on winning partnerships and long-term relationships. Whilst we poised to capture growth opportunities, the Group cautiously monitors the markets and adopts careful approaches in all situations.

Through active acquisition of land banks exercise in the past two years, with Group's strong unbilled sales and pipeline of projects, we envisage overall outlook to remain positive.

We continue to observe closely the changing macro economic conditions and remain selective on investment that will create the optimum value. We strive to further strengthen our sales and operations for better products competitiveness. Under the circumstance that there is minimum indication of easing the property cooling measures, we would be selective in the area of 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 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 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 is 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

Over the years, the Group has received numbers of awards and recognitions and the awards won lately are the 'Top 10 Developers of the Year StarProperty.my Awards 2016' and 'Best Company for Leadership of Property Development' in International Alternative Investment Review Awards (IAIR Awards). These awards bear testimony to our continuous efforts and commitment in providing quality homes and prove that we are on the right track for growth and to achieve our vision as an internationally recognized developer.

At the same time, I would like to express my heartfelt thankfulness to my fellow directors for their invaluable and constant support and all our business partners as well as valued customers for their continued trust over the years.

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.

Again, I look forward to the future with optimism, and I invite you to join us in our journey.

Tan Sri Lim Hock San

Managing Director
15 April 2016