



A Breakthrough Year
Annual Report 2018

Letter to Shareholders

A Breakthrough Year

The last 12 months was a breakthrough year for the Group.

Over the past three years, Eupe has focused on putting in place the foundations of our expansion from our base in northern Malaysia into Kuala Lumpur.

The strategy is now delivering strong returns with major growth in overall revenue and profit over the last financial year – the highest ever recorded by the Group.

Total Group revenue for the financial year was **RM314.1 million**, an **88.1 per cent increase** on the total revenue recorded for the previous financial year. This translated into profit-before-tax for the financial year of **RM29.8 million**, a **50 times increase** on the Group's profit-before-tax outcome from the previous financial year.

Overall shareholders' fund of the Group increased from RM281.3 million in FY2017 to **RM290.4 million** in FY2018 while its net gearing ratio improved from 0.40 times to **0.38 times** over the past year.

KL Expansion Gaining Momentum

These results have been underpinned by the proceeds that are now flowing strongly from our first project in Malaysia's capital - Novum at South Bangsar - which is now almost fully sold out.

Total revenue from our Klang Valley property development operations for the period was **RM155.0 million**, compared to RM70.5 million in last financial year. This resulted in a profit-before-tax result of **RM33.9 million**, compared to RM8.6 million from last year.

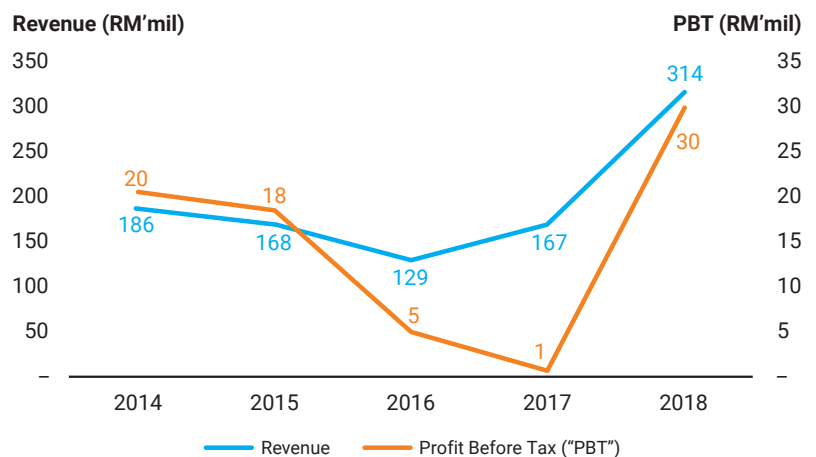
These strong results were also underpinned by the successful launch in October 2017 of our second high-rise residential project in Kuala Lumpur, Parc3 at KL South.

As with Novum, Parc3 has been planned, designed and marketed around a number of very clear points of product differentiation aimed at creating a residential landmark in one of Kuala Lumpur's increasingly popular precincts.

The successful launch of Parc3 was also significant for the Group as it highlights both the consolidation of our expansion strategy in Kuala Lumpur, as well as our future revenue and profit growth. Initial construction works on Parc3 have commenced, with the project's completion date scheduled for second half of calendar year 2021.

Our third project in another prime location in Kuala Lumpur – Vivus at Seputeh - is well-advanced and scheduled to be launched in the first half of calendar year 2019, subject to market conditions.

Group Five Year Summary



Yours sincerely,

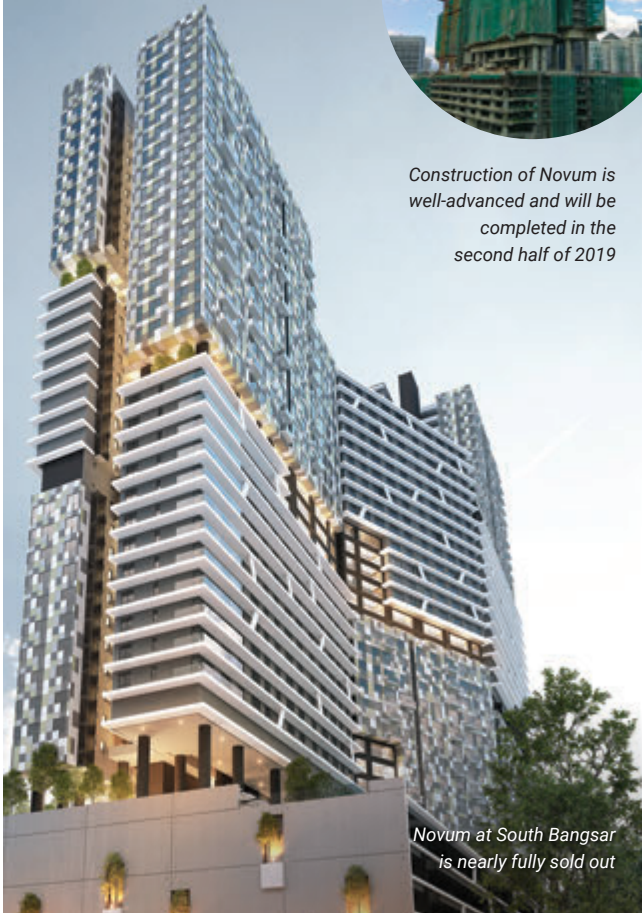
Dato' Beh Huck Lee

Group Managing Director
Eupe Corporation Berhad





Construction of Novum is well-advanced and will be completed in the second half of 2019



Novum at South Bangsar is nearly fully sold out



Piling works on Parc3 started in November 2017



Parc3 - Eupe's second KL project - is attracting strong interest

Building New Capabilities

Our expansion into a significantly larger and more competitive market than our traditional market in northern Malaysia is also translating into new skills and capabilities for the Group.

Construction of the Novum project – our biggest and most challenging residential development in the Group's thirty-year history – remains on budget and is scheduled to be completed and handed over to purchasers in the second half of calendar year 2019.

We are evaluating a number of innovative methods to bring improved construction speed of the Vivus project while retaining quality. Moreover, we are continuing to develop innovative directions and capabilities in sustainability planning and practice in the property sector, with the launch of the Group's *Sustainability Plus 2017* document in August last year.

Other Results

Elsewhere in the Group, results have been mixed due to subdued market conditions. Our Northern Township Development division have largely held the line in terms of its sales targets over the full year by re-orienting more of its product offering to the affordable housing market.

Our hospitality and resort division recorded a loss before tax of RM4.5 million, although this was an improvement on the previous year's loss. Likewise, our Property Construction division recorded a RM1.9 million loss before tax.

Market Outlook

Overall, the fundamentals of the Malaysian economy remain sound. For the property market, long-term demand will continue to be strong on the back of consistent population growth. The change of national government at the May 9 elections is likely to initiate a number of structural reforms to the economy. While these changes will be aimed at improving productivity and sustained growth, the full impact of such reforms are likely to take some time to flow through.

However, we see the current period of property market consolidation continuing well into 2018 due to ongoing housing affordability issues, as well as continuing tighter lending restrictions. Within this context, the Group is highly focused on managing its key risk, namely ensuring its future product development aligns with market demand and buyer sentiment, particularly as buyers become more discerning and the overall market becomes increasingly differentiated.

Conclusion

While this has been a breakthrough year for Eupe, we see it the start of a new set of challenges that require new breakthroughs so that the foundations we are building on for future growth are strong and sustainable.

I want to take this opportunity to sincerely thank our shareholders for supporting and placing their trust in us. We remain committed as a Group to doing our very best to create shareholder value in a sustainable manner.



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