

LETTER TO SHAREHOLDERS

A YEAR OF CONSOLIDATION

In last year's Annual Report, I described Eupe's previous 12 months as a 'breakthrough' year. This reflected the fact that our expansion into the Kuala Lumpur property market was beginning to bear fruit with significantly stronger revenue and profit results.

In this year's Annual Report, I describe the latest year for the Group as a year of 'consolidation'.

I use this term to describe the successes we have achieved in FY2019 that have consolidated the breakthroughs we made the previous year and further build the foundations of sustained growth for the Group.



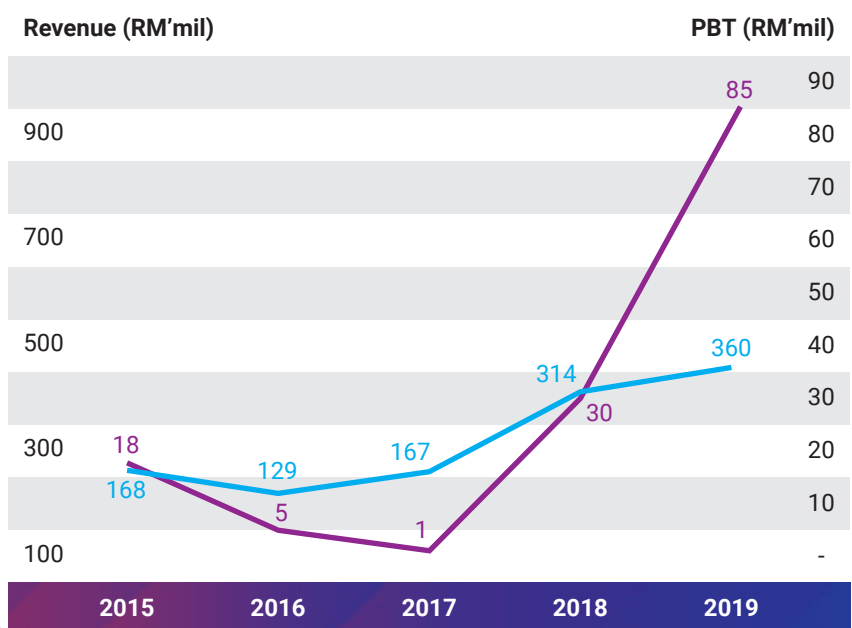
Celebrating the 'topping out' of Novum. From left to right - En. Alfian bin Tan Sri Mohamed Basir (Board Member); En. Iskandar Abdullah@Sim Kia Miang (Board Member); Dato' Beh Huck Lee (Group Managing Director); Dato' Paduka Beh Heng Seong (Eupe founder); Ms Jenny Kek (Board Member); Mr Chan Boon Wah (Managing Director of Accord Construction - lead building contractor for Novum).

KEY HIGHLIGHTS

Key highlights of FY2019 include:

- A continuation throughout the year of strong take-up rates for Parc3@KL South ("Parc3") - our second project in the Klang Valley. This is a pleasing result in a challenging market where competing products are struggling to achieve similar take-up rates. Construction of Parc3 is also gathering pace.
- The 'topping-out' (reaching the top floor of construction) in July 2018 of Novum@South Bangsar ("Novum") - our maiden project in Kuala Lumpur. Construction of Novum is now nearing completion and we are now increasingly focused on a successful handover to buyers.
- Securing land in Petaling Jaya in December 2018 for our fourth project in Klang Valley. The location of this land will allow us to tap directly into the large affordable housing market in Malaysia's capital.
- Maintaining a healthy balance sheet to fund future growth in the Klang Valley market, particularly as we move to finalise the launch of our third project in KL, in the sought-after precinct of Seputeh.

GROUP FIVE YEAR SUMMARY



— Revenue — Profit Before Tax ("PBT")



Yours sincerely,

Dato' Beh Huck Lee

Group Managing Director
Eupe Corporation Berhad



The **My Home Garden** concept, a key feature of Parc3's lifestyle offering, was launched in January this year.

Since FY2016, the Group's profit has increased 18 fold, a significant measure of the success of our expansion strategy into Malaysia's capital.

SUCCESSIVE YEARS OF IMPROVED RESULTS

The continuing success of Novum and Parc3 projects – integral to our overall strategy to successfully compete in Malaysia's most competitive property market with boldly designed property offerings - have been instrumental in the Group achieving a second successive year of record revenue and profits.

The Group recorded overall revenue for the financial year of RM359.9 million. This represented a RM45.9 million – or 15 per cent - increase on total revenue recorded by the Group for the previous financial year.

This significant lift in revenue resulted in a profit-before-tax for the financial year of RM85.2 million. This represents a RM55.5 million - or 186 per cent - increase on the Group's profit-before-tax outcome from the previous financial year. Since FY2016, the Group's profit has increased 18 fold, a significant measure of the success of our expansion strategy into Malaysia's capital.

Importantly, the Group's debt ratio – at 0.27 times - remains relatively steady, with borrowings used to fund continuing development of our Kuala Lumpur project pipeline. Earnings per share increased from 7.49 sens in FY2018 to 23.67 sens in FY2019. Shareholders' funds of the Group increased from RM290.4 million in FY2018 to RM320.6 million in FY2019.

NORTHERN OPERATIONS

While the Group's Klang Valley operations have been performing strongly, challenging market conditions have impacted on the financial results in our Northern divisions. Our Northern Township Development Division is facing significant headwinds with its home market of Sungai Petani marked by oversupply and intense price competition. Likewise, our Hospitality and Hotel Division's performance continues to face headwinds from structural changes in the hospitality sector. In both Divisions, sub-par performance is driving a major relook at our efficiencies, as well as accelerating plans to look for new opportunities beyond our traditional markets.

MARKET OUTLOOK

We remain optimistic about Malaysia's property market, and the Malaysian economy generally. Population and employment growth as well as rising living standards and expectations will all underpin a sustainable upward trajectory of demand in the medium term.

However, in the shorter term, we expect the current period of consolidation in the property market, which has been resulted in softer demand, will last another 18 months, with home buyers remaining cautious.

Greater focus by buyers on affordability has encouraged developers to become more attuned to customer needs as well as focus on greater product innovation. We believe that Eupe, with its sharp focus on developing clear points of product differentiation and price competitiveness, is well placed to continue to take advantage of these key market drivers.

At the same time, the Group is continuing to monitor its performance against innovative design and construction practices both here and overseas, particularly in relation to the streamlining our planning and design processes, along with new construction methods.

CONCLUSION

In conclusion, the last 12 months have seen the Group, despite uncertain economic and market conditions, consolidate a number of importance advances. A pattern of success is now emerging that is laying strong foundations for future success. But our Group is not resting on its laurels. We continue to focus on efficiency – particularly in our Northern operations - to consolidate and build upon this success Group-wide into the long-term.

Again, I want to express my sincere thanks to shareholders. The Group's growing pattern of financial success is yet to translate into returns for shareholders. But I remain confident that the fruits of the Group's current performance will flow through to improved outcomes for those who have invested in us and motivate us to continually find ways to improve and innovate.



EUPE CORPORATION BERHAD (377762-V)
5th Floor, Wisma Ria, Taman Ria,
08000 Sungai Petani, Kedah Darul Aman, Malaysia.
T. +604-441 4888 • F. +604-441 4548
www.eupe.com.my

