

24th ANNUAL GENERAL MEETING

18th AUGUST 2020

GROUP MANAGING DIRECTOR'S REPORT

AN AWARD-WINNING YEAR



INTRODUCTION

Thank you for joining us today and for your continuing interest in, and support of Eupe Corporation Berhad.

The past financial year has presented a number of challenges for the Group, as it has for business generally.

But I'm pleased to report the Group achieved pleasing financial results for the full year, on the back of the continuing success of our entry into the KL property market.

Revenue continued to track strongly over the financial year and as a result, we again achieved a healthy profit-before-tax result.

Both revenue and profit outcomes represented a decrease on the record levels achieved the previous year.

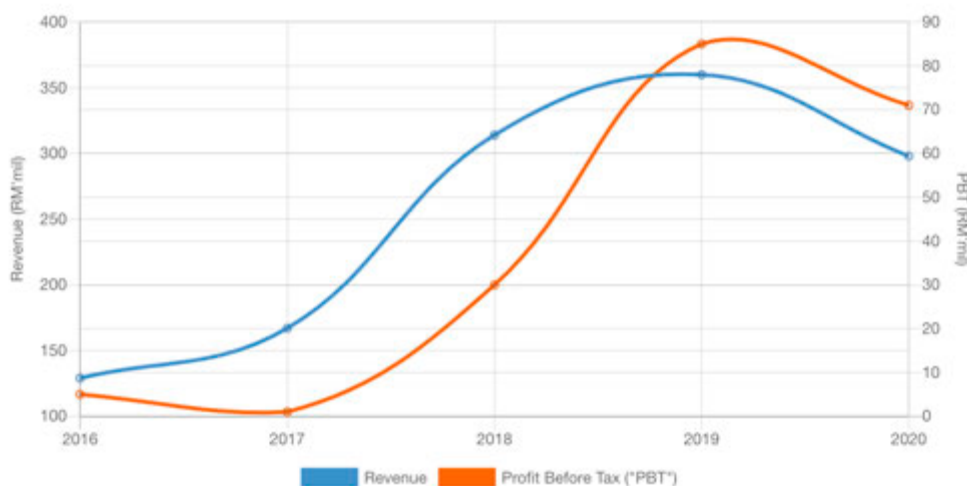
This was due largely to the successful completion of Novum @ South Bangsar, our maiden KL project.

But our underlying financial performance has been encouraging, with earnings per share continuing to increase strongly.

This has allowed us to pay a dividend of 1.5 cen per share.

FINANCIAL RESULTS

• Continuing strong revenue and PBT outcomes



Shareholders' funds (RM'000)

FY2020	352,325
FY2019	320,553
FY2018	290,427
FY2017	281,316
FY2016	288,155

Earnings per share (EPS) (sen)

FY2020	26.45
FY2019	23.67
FY2018	7.49
FY2017	(5.77)
FY2016	2.61

KEY MILESTONES

From an operational perspective, we have continued to achieve major milestones.

The successful completion of our first KL development earlier in the year means we are now in the process of handing over the project to our buyers.

Feedback to date from buyers who have moved in has been very pleasing.

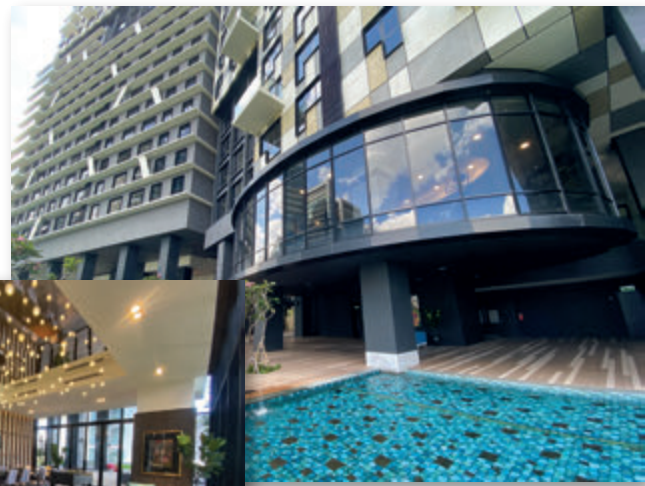
They have been particularly impressed by our distinctive approach to designing innovative and iconic homes at a highly competitive price.

What we consider to be Eupe's clear point of difference in the KL market was also recognised with two major property design awards for Novum.

NOVUM @ SOUTH BANGSAR

- **Successful completion of Novum**
- **Handover to buyers now underway**
- **Won two prestigious design awards in 2019**

NOVUM
SOUTH BANGSAR



Awards are pleasing in themselves. But more important, these awards also show that our distinctive brand is gathering momentum as we develop our pipeline of projects in KL.

Parc3 @ SouthKL – our second KL project – is now close to fully sold.

Again, this a very significant achievement in a challenging market that demonstrates our capacity to offer a compelling product to buyers.

PARC3 @ KLSOUTH

- Sales now exceed 90 per cent – strong result in challenging market
- Construction well underway

Work done up to 14th August 2020

NORTH WING												SOUTH WING											
FACILITIES												FACILITIES											
Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.	Unit No.
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NORTHERN OPERATIONS

In terms of our Northern Operations, the previous 12 months have been challenging.

A continuing, pre-COVID softening in consumer demand, due to global uncertainties and the national government's fiscal reduction program, impacted particularly on our northern property division sales as well as the performance of Group's Cinta Sayang Resort.

Being in the hospitality sector, the Resort which is the core of our Hospitality Division has been significantly impacted by COVID-19.

In recent months, we have taken actions to severely trim costs. We have also made strategic decisions to change the Division's focus in view of ongoing uncertainties related to the virus and its impact on the hospitality sector.

As a result of these actions, the Division has reported a break-even position since June.

In terms of our Northern Property Division, we have focussed on releasing more affordable homes in Kedah.

We are also seeing improvement in the selling of stock in higher-margin segments which has been encouraging in terms of pointing to a recovery in the Kedah property market which has been subdued for several years.

NORTHERN OPERATIONS

- **Signs of some improvement in Northern property market**
- **Hospitality division significantly impacted by COVID-19 but now breaking even**



IMPACTS OF COVID-19

All this is occurring during a time of unprecedented disruption.

The onset of the COVID-19 virus earlier this year will mean long-lasting changes to our economy and society and in particular, consumer trends in the property sector.

With impacts of the virus on consumer demand and spending are likely to be prolonged, the trend towards buyers wanting more value through affordable homes that offer more for less will only increase.

This means the focus on market differentiation will become even more important.

Another key change is likely to see buyers want greater assurances that their new home is safe, secure and most importantly, hygienic.

Developers will also need to offer more in the way of practical facilities and features that reflect the reality that people will gravitate much more to staying at home, or within their local area, than previously.

Most importantly, it will be more critical than ever that developers listen carefully and continuously to buyers so as to effectively respond to their evolving needs.

All this requires a strong focus on innovation, value for money as well as effective market research and marketing.

These are all attributes that have underpinned our strong focus on product differentiation which in turn has supported our recent successes in KL.

IMPACTS OF COVID-19

- **Economic impacts of COVID-19 not short-term**
 - Malaysian economy contracted 17 per cent in the second quarter of 2020 due to severe movement restrictions on production and consumption (Bank Negara Malaysia)
 - World Bank projects 5 per cent contraction in global economy in 2020
 - *Deep recessions triggered by the pandemic are expected to leave lasting scars... through lost work and fragmentation of global trade and supply linkages' (World Bank Global Economic Prospects - June 2020)*
- COVID-19 presents major challenges for Malaysian property but also opportunities
- Likely to see increased consumer focus on differentiation and affordability
- Eupe's core strategy focused on innovative combination of these two drivers



FOCUS FOR FY 2020/21

In conclusion, our core growth strategy focused on the KL market continues to demonstrate strong financial and operational outcomes.

The challenge will be to continue to think outside the box in a market where distinctive difference combined with affordability is becoming even more critical to success.

We are fully committed as a Group to advance what are already key points of differentiation that are increasingly being recognised by the market.

We are now actively testing the market for our third project - Est8 @ Seputeh - with the expectation we will launch the project later this year.

In an iconic location adjacent to the Mid-Valley, our third KL project will represent a continuing evolution of our innovative design and lifestyle thinking.

EST8 @ SEPUTE H - THIRD KL PROJECT

- **Iconic location**
- **Strong focus on design and lifestyle innovation**
- **Plans to launch later this year**

Est8
SEPUTE H

A State of Difference



We have announced previously a fourth KL project in Petaling Jaya which will target buyers looking for more entry-level affordable housing.

This will further diversify our market offering and take advantage of a core and stable market segment.

We are yet to decide on launch timing for this project, but planning and design work is well advanced.

Our other key focus for the current year will be progressing the construction of Parc3.

We have experienced some delays because of the recent movement restrictions. But we expect the project to be completed by end of 2021.

We will also continue to implement ways to increase the competitiveness and efficiency of our Northern Operations.

In conclusion, despite a number of challenges, the past year has seen Eupe continue to build momentum with its growth strategy.

The current year has presented a number of unprecedented challenges.

But we are confident we can meet these challenges proactively and strategically and sustain our recent successes.