

Chairman's Statement

Dear Shareholders of Mulpha Land Berhad,

2013 was a significant year for Mulpha Land Berhad, as we focused our efforts on streamlining our business and disposing of non-core assets to raise a war chest for future investments and development.

Our businesses in the Central and Northern regions of Malaysia continued to perform well, and in addition to our ongoing projects, we are in the process of obtaining approvals from the authorities for a number of new developments, which is expected to grow our income stream and corresponding profits in the coming years.

It is therefore on a positive note that I present to you the Annual Report of Mulpha Land Berhad and its subsidiaries ("the Group") for the financial year ended 31 December 2013.

2013 FINANCIAL HIGHLIGHTS

The Group's revenue increased 9.7% from RM42.97 million in 2012 to RM47.14 million in 2013. This was mainly attributed to stronger sales in Taman Bukit Panchor.

Profit before tax increased by 179.1% to RM11.78 million (2012: RM4.22 million), mainly due to the higher revenue and a gain on disposal of land.

After adjusting for the 3 for 2 Bonus Issue that was implemented during the year, the Group's net assets per share increased to RM0.56 (2012: RM0.50) in line with the increase in profit before tax.

REVIEW OF OPERATIONS

In 2013, the Group continued its efforts to streamline its business, including the disposal of non-core assets, to generate positive cash flow, unlock value and create a war chest of funds for future investment activities.

As part of this exercise, in 2013, the Group:

- Sold a 12.76 acre piece of land in Kapar, Selangor, for RM8.63 million.
- Sold a parcel of bungalow land measuring 5,172 square metres at Leisure Farm Resort, Iskandar Johor, for RM4.75 million.
- Embarked on the sale of a block of 12 serviced apartments called Raintree Residence, near Jalan Ampang, Kuala Lumpur for RM34.30 million which is currently pending the fulfilment of certain conditions precedent.

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While these transactions generate profits for the Group, the more significant consequence of this exercise is that the unlocking of these assets paves the way for the streamlining of the Group and enables the Group to focus on its strategy moving forward - larger scale developments which have a high impact on the Group's revenue and future profitability.

In-line with this, the proceeds from these sales are being channelled towards several new high rise projects in the Central region:

- **Development of 6.41 acres in Tropicana**

Acquired in the 4th quarter of 2013, this land will be developed into a mixed commercial development consisting of four towers totalling 744 units of service residences, 62 units of offices and a retail arcade under a 51%:49% joint venture with Mudajaya Group Berhad. Currently at submission stage to obtain development approvals, the development is estimated to have a Gross Development Value ("GDV") of RM720 million.

This development will also mark the Group's entry into the high-rise luxury serviced residences market whereby a trendy lifestyle concept has been incorporated into the carefully designed facilities and the functional and thoughtfully planned hospitality & leisure services offered to residents.

- **Development of 2 acres in Section 13, Petaling Jaya**

This piece of land was acquired in the 4th quarter of 2013 via a 3-year deferred payment structure, which has benefited the Group's cashflow position.

Currently at submission stage to obtain development approvals, the development will be the Group's second high-rise development. Consisting 310 units of serviced residences with a limited retail offering, the development will have a GDV of RM220 million.

Both developments will focus on offering branded serviced residences, which will in turn pave the way for several new business segments for the Group upon completion of these developments which will create a new recurring revenue stream for the Group. This includes property investment in retail & carparks, provision of hospitality & lifestyle services to residents and facility management.

In addition to its high level of activity in the Central region, the Group has also been focusing on opportunities to further develop and unlock the value of its assets in the Northern region:

- **Taman Desa Aman in Kulim, Kedah**

The current phase of single storey terrace houses called Jasmin Eco is now progressing well, with all 28 units sold generating a GDV of over RM4 million.

In 2014, the Group expects to launch two new phases in Taman Desa Aman:

- o 16 units of 2 storey shop offices, with a GDV of RM5.5 million.
- o 18 units of detached industrial lots, with a GDV of RM21 million.

- **Taman Bukit Panchor in Nibong Tebal, Seberang Prai**

2014 will also see the completion of two recently launched projects:

- o 15 units of Emerald 2 storey shophouses with GDV of RM7.8 million.
- o 20 units of Fortune 2 storey shophouses with GDV of RM11.9 million.

The Group is targeting to sell all of the remaining unsold units in Taman Bukit Panchor with a GDV of approximately RM11 million during this year. The final available piece of land for development in Taman Bukit Panchor is a centrally-located 1.21 acre plot, which has been earmarked for a mid-rise commercial development.

In the year under review, the Group also established a new unit called Eco Green Services Sdn. Bhd. ("Eco Green"), marking the Group's entry into providing Facility Management Services. This new business division is complementary to our core business in property development as it enables us to manage our completed developments at a high standard, creating the living environment and customer satisfaction which will enhance our branding and attract new and repeat customers to our developments. With pioneer contracts to manage the Raintree Residence in Ampang Hillir, as well as Enclave Bangsar, this division is expected to contribute to future group earnings. Eco Green will focus on servicing the Group's properties, as well as source for external contracts to manage other high-value completed properties.

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BONUS AND DIVIDEND

Based on the Group's positive performance in 2013, Mulpha Land Berhad completed a 3 for 2 Bonus Issue, and rewarded its shareholders with a dividend of RM0.01 sen per share (2012: Nil).

PROSPECTS

Budget 2014 presented the property industry with several short-term challenges.

Interest in the property market cooled somewhat following the announcement to abolish rebates and developer interest-bearing schemes (DIBS), which increased buyers' acquisition costs and dampened the enthusiasm of genuine buyers, as did the increase in real property gains tax (RPGT). In addition, the increase in foreign ownership threshold from RM500,000 to RM1 million across the board is also expected to affect property acquisitions by foreigners. The tightening by Bank Negara on lending to the retail property sector also further affected sentiment in the property market.

While these measures, taken to discourage excessive speculation, may dampen the market over the short-term, we believe they will ensure a more stable and sustainable property market in the mid to long-term.

In the meantime, despite these challenges, we expect well priced development projects in strategic locations with innovative lifestyle concepts and services to continue to sell well. Our Tropicana and Section 13 projects are good examples of such projects and we will continue to focus our efforts in sourcing for more of such development opportunities in the future via both outright purchases and joint ventures.

At the same time, we will continue to place more emphasis on developing and unlocking the value of our assets in the Northern region as part of our programme to streamline and improve our efficiency of operations.

The Group is progressing well, having achieved strong growth over the past year. With on-going projects with an estimated GDV of over RM1 billion, the Group is well placed to build further on this strong performance in the coming years.

APPRECIATION

The Group's strong performance and progression over the past year is very much a reflection of the efforts and teamwork of our management and staff. I would therefore like to record my appreciation to them for all their efforts this past year.

There were also some changes to the Board last year with the appointment of Dato' Low Keng Siong on 4 September 2013 and the resignation of Mr Yong Wan Seong on 25 October 2013.

I would like to warmly welcome Dato' Low to our Board and look forward to his insight and contributions to the Group. Conversely, Mr Yong Wan Seong stepped down as Executive Director after almost 12 years of holding this position. I would like to thank Mr Yong for his hard work and dedication to the Group.

I would also like to record my appreciation to the rest of my fellow Board members, who have provided valuable counsel and guidance throughout the year.

Moving forward, we will continue to expand our horizons and build our brand, with a strong focus on unlocking value from our existing assets, securing new strategically placed land bank and providing our shareholders with a strong and consistent return on investment.

LEE ENG LEONG

Non-Executive Chairman

12 May 2014