S P SETIA BERHAD
(Company No: 19698-X)
(Incorporated in Malaysia)

Key Matters Discussed at the Forty Fourth Annual General Meeting ("44th AGM") of the Company held at Function Room 1, Setia City Convention Centre, No. 1 Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 16 May 2019 at 11.00 a.m.

The 44th AGM was attended by all the Directors of the Company. Datuk Choy Kah Yew, Chief Financial Officer, read out the questions submitted by the Minority Shareholder Watchdog Group vide letter dated 29 April 2019 and the Company's responses.

At the 44th AGM, the shareholders raised the following key questions on the business and operations of the Group which were duly responded by Dato' Khor Chap Jen, President and Chief Executive Officer and Mr Choy Kah Yew, Chief Financial Officer:

No.	Question	The Company's Responses
1.	The outlook of 2019 with reference to the planned launches scheduled for the remaining part of the year, which could potentially add to the unsold completed stocks of the Group.	The property market would remain challenging and therefore, the Management would continue to exercise prudence and mindful of the strategies to be undertaken including launching products that would meet market demands. The Group had managed to reduce the unsold completed stocks from RM1.69 billion as at 31 December 2017 to RM1.47 billion as at 31 March 2019 which had contributed to the total sales for 2018 of RM5.123 billion.
2.	The difference between sales and revenue.	Sales would be recorded when purchasers had executed the sale and purchase agreements, while revenue would be recognized progressively over the construction period for properties sold in Malaysia and upon completion in the United Kingdom ("UK") and Australia. It was noted that as at 31 March 2019, the Group's total unbilled sales stood at RM10.95 billion and served as revenue pipeline for the Group

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3.	Reason for the increase in Other Income from RM253 million in 2017 to RM627 million in 2018.	The increase was mainly attributable to the gain from re-measurement of the previously held stake of 50% equity interest in Setia Federal Hill Sdn Bhd ("SFH") of RM349 million. This was required under MFRS 3 whereby the Company was required to re-measure the original 50% equity interest in SFH held by the Company to fair value, as the acquisition of the remaining 50% equity interest in SFH changed the status of SFH from a jointly controlled entity to a subsidiary of the Company.
4.	The explanation on the Share of Results of Joint Ventures which recorded a loss of RM43 million in 2018.	It was mainly contributed by the Group's investment in Battersea Power Station ("BPS") in UK. The accounting standards applied in the UK were different from that being applied in Malaysia where BPS' revenue could only be recognised upon completion of the phase/project. The Group had recognised share of profit from BPS of RM268 million in 2017 based on its 40% equity stake when BPS handed over Phase 1 to its purchasers. On an overall in 2018, the Group did not have any revenue and profit contribution from both BPS and the Australian projects due to the method of revenue recognition based on the accounting standards of the UK and Australia, respectively. With regard to the matching of costs to revenue concept in UK and Australia, Datuk Choy further explained that only the costs directly attributable to the construction activities would be expensed off at the same time when revenue was recognised ie when control was deemed to have been passed to the customers during completion and handing over of the properties. Marketing costs and other overheads on the other hand would be expensed to Profit and Loss as and when they were incurred.

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5.	Reason for the increase in Finance Costs from RM180 million in 2017 to RM207 million in 2018.	The increase was mainly due to the loans taken to part finance the acquisition of I & P Group Sdn Berhad of RM1.5 billion and acquisition of the remaining 50% equity interest in SFH of RM500 million.
6.	The value of the Group's Investment Properties ("IPs") of RM2 billion and where those IPs were categorised in the Segmental Analysis.	RM2 billion comprised of commercial lands held by the Group of RM300 million and the newly completed Mercu 2 Office Tower and Mall at KL Eco City of RM800 million. The income from these IPs, which were not significant at the moment, had been grouped under "Others" category in the Segmental Analysis.
7.	Shareholder commented that the existing property laws in Malaysia favoured the developers and made it difficult for the purchasers to claim Liquidated Ascertained Damages due to the long and costly process and whether there was any possibility of adopting the Australian model.	The developers had always been engaging with the relevant authorities to enhance the relevant laws. He opined that the Malaysian property development industry was the most regulated as compared to other countries. The Australian model was based on the built and sell model whereby purchasers would only pay 10% of the purchase price upon signing the sale and purchase agreements with the balance to be paid upon completion. The Australian model was fair to both the purchasers and developers in terms of risk-taking. It has a sunset clause of 5 to 6 years and if the developer did not deliver the property by that period, the developer would just need to refund the deposit plus interest to the purchasers and terminate the contracts. The relatively longer period was so as to ensure that a developer was able to secure a minimum required percentage of sales in order to be able to fund the construction costs and this condition would be imposed by the lender before the loan was disbursed to the developer

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		In Malaysia on the other hand, the developers were compelled to deliver their properties within 3 years regardless of the percentage of sales achieved. In this regard, the developers would carry significant risks. Each country's regulatory regime had its own advantages and disadvantages.
8.	The component of unsold completed stocks.	They mainly comprised of completed units at Setia Sky88 in Johor Bahru and commercial properties at Alam Impian. The Management was in the midst of repackaging the stocks at Setia Sky88 and sell the same as investment grade properties. For the commercial properties at Alam Impian, they would be sold in the market soon as the soil settlement issue had been rectified.
9.	Whether there were any plans to align the Light Rail Transit ("LRT") tracks to Bandar Setia Alam to improve accessibility via public transportation.	The LRT reserve has already been allowed in the master plan and that a piece of land situated opposite Setia City Mall 2 had been earmarked as the LRT station in Bandar Setia Alam. The availability of such services would be dependent on the Government's plan.
10.	Whether there would be any special dividend from the expected sale of RM1 billion worth of land banks.	The proceeds would be used to pare down the Group's borrowing in line with plans to manage gearing and the profits from such sale would be recognized in accordance with accounting standards to qualify for dividend pay out.
11.	The dilution in earnings if all options under the Company's Employee Share Option Scheme were to be exercised.	The dilutive effect would be approximately 2 sen per share, as shown in Note 37 to the accounts.
12.	The impact from the implementation of MFRS 15 (Revenue from Contracts with Customers)	The impact has been explained in Note 1 on Page 159 of the Integrated Report 2018 whereby the Company had explained the impact of adopting MFRS 15 in 2018.

The resolutions set out in the Notice of 44th AGM dated 17 April 2019 were put to vote by way of poll. The Chairman announced the results of the poll for each of the resolutions and declared that all the resolutions set out therein were duly carried and passed by the shareholders and proxies present.

Dated this: 3 June 2019