Stay Together. Stay

etia

Integrated
Report
2018

>> GROUP HIGHLIGHTS 2018

Shareholders Fund
RM14.14 billion

Earnings Per Share
14.8 sen

Dividend Per Share
8.55 sen

Ongoing Projects
45

Effective Land Banks
9,516 acres

Revenue
RM3.59 billion

Strong GDV in the Pipeline
RM149.70 billion

Unbilled Sales
RM12.32 billion

Total Sales Achieved
RM5.12 billion

Profit Before Tax
RM991.0 million

Profit Attributable to Owners of the Company
RM671.0 million

Total Strong, Dynamic & Diversified Employees
2,300 People*

* Approximate

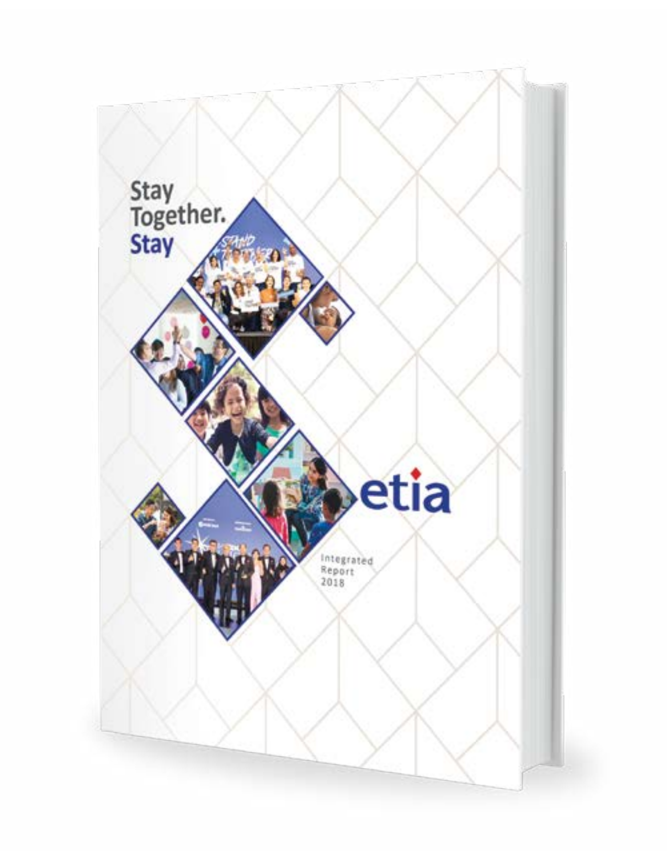
STAY TOGETHER. STAY SETIA

Our growth trajectory is anchored in sound fundamentals. Our diligence, integrity and persistent focus on sound business practices provide a solid foundation for our continued delivery of value in the long term.

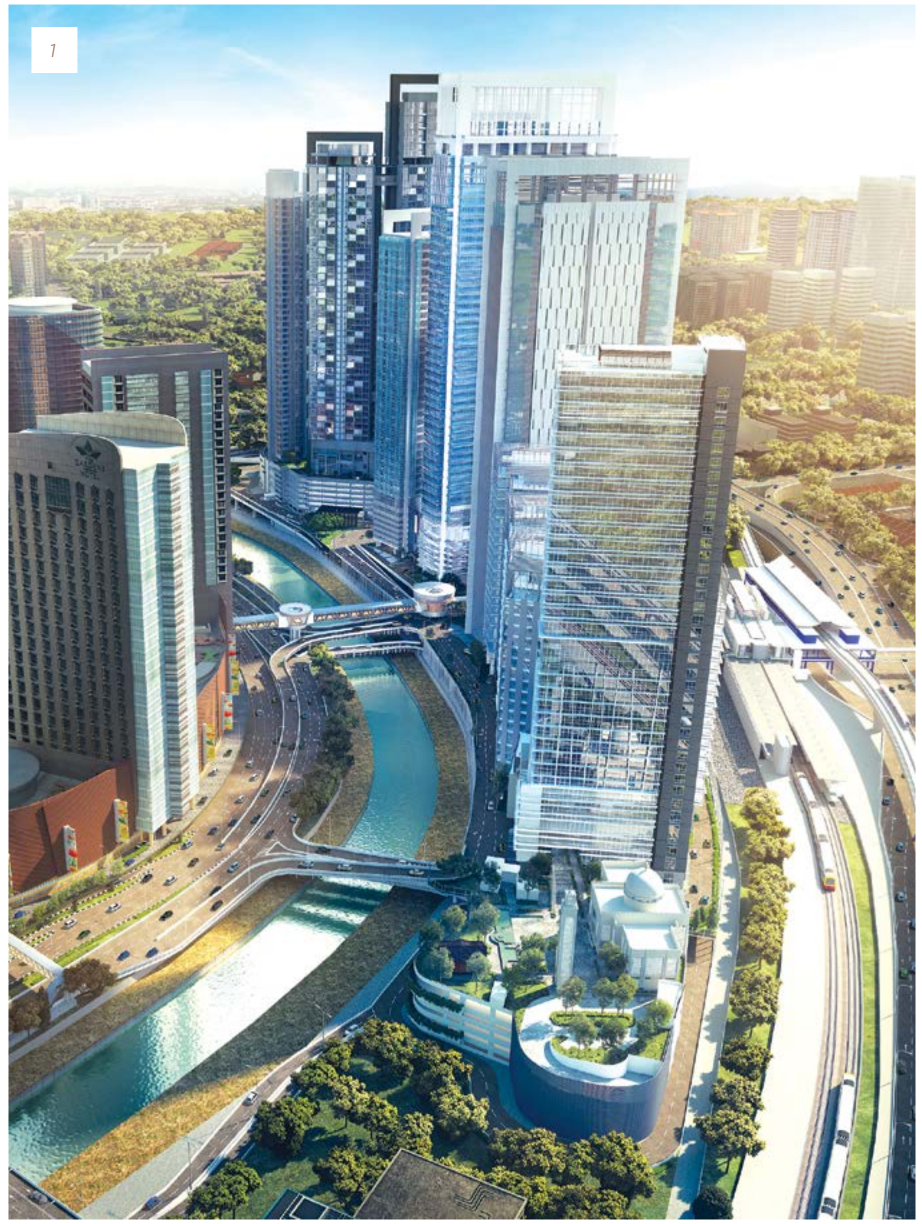
With decades of experience setting the bar in Malaysia's property market, we know beyond a doubt that it is only together that we can thrive. Our success is a truly befitting reflection of our belief that together, we can weather all challenges and achieve even greater heights.

As we continue to expand, we are also now celebrating the deeper meaning that our name stands for. We remain loyal to our stakeholders and steadfast in our commitment to quality and growth – striving to ensure a better life for all.

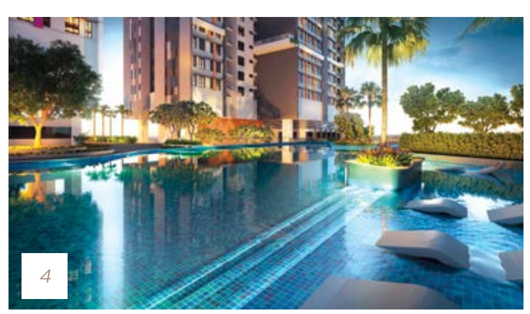
Therefore, in staying true to our nature and our name, we will continue to "STAY TOGETHER. STAY SETIA".



Watch our "Stay Together. Stay Setia" brand video



1 *Artist impression of KL Eco City*
2 *Artist impression of Sapphire by the Gardens*
3 *Sanctuary of Western Heritage – Setia Eco Glades*
4 *Artist impression of the poolside at TRIO by Setia*



>> **Inside** this Report

Content

>> **Vision, Mission** and Core Values

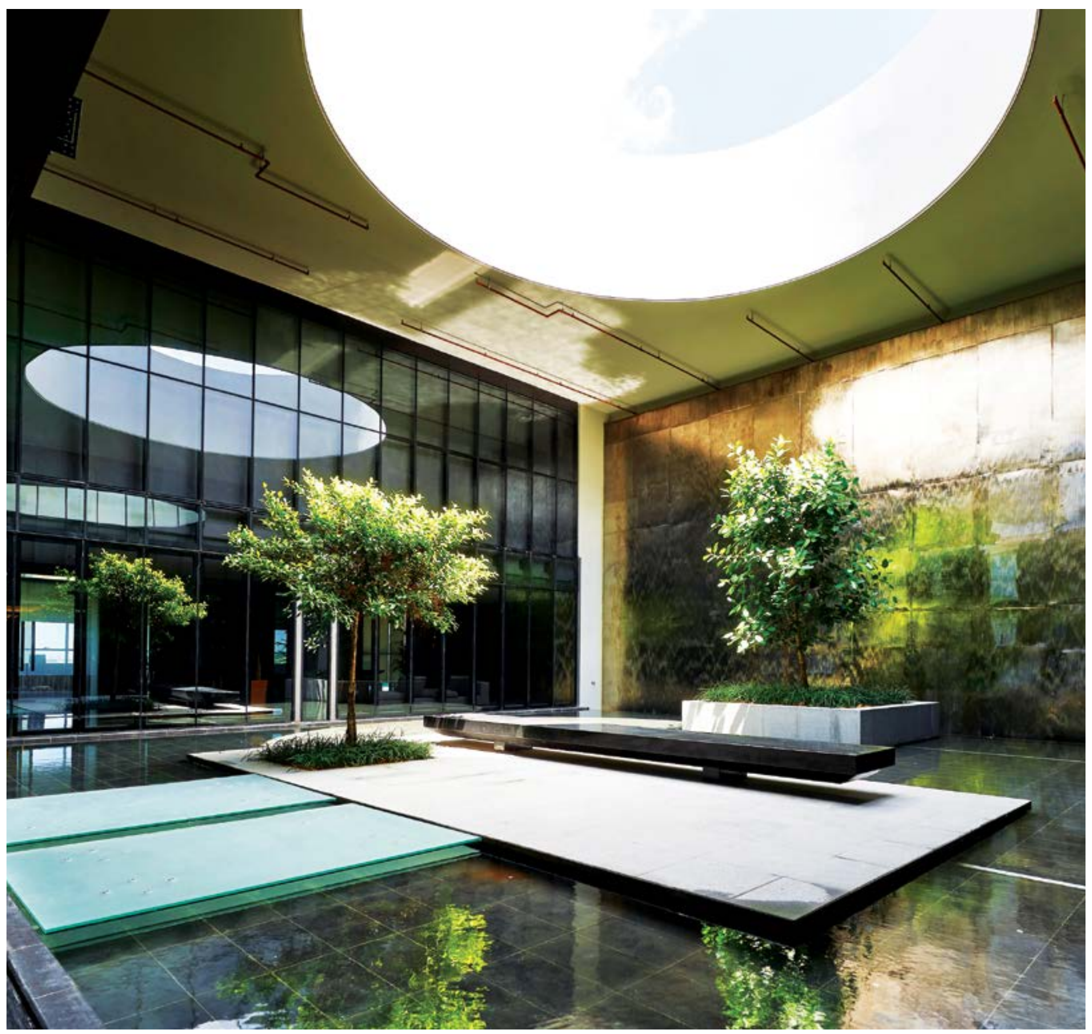
Vision

TO BE THE BEST IN ALL WE DO

Mission

- To provide superior customer service and satisfy customer needs through a culture of excellence
- To enhance shareholder's value
- To be a caring and responsible employer
- To be mindful of our social responsibilities

A diverse Team Setia is our asset



S P Setia Corporate Headquarters (Roof Garden)

Our Values

At S P Setia, we take pride in the work that we do.
We have a clear purpose in mind with a transparent SCRIPT which serves as the core values that guide us every day.

S — **SETIA's Work Ethics**
- Respect
- Support one another

C — **Customers**
- Serve with passion
- Responsive to needs

R — **Responsibilities**
- Commitment to success
- Learn & grow

I — **Integrity**
- Honesty
- Reliability

P — **Professionalism**
- Work professionally
- Continuous improvement

T — **Team Setia**
- Teamwork
- Embrace diversity

>> **Our Approach** to Reporting

This report provides information that we believe is of material interest to stakeholders who wish to make an informed assessment of S P Setia's ability to generate value in the short, medium and long-term.

We have sought to ensure that all information in this report relates to matters that have material bearing on value creation at S P Setia.

Our business and activities (page 52) along with the impacts across our value chain (page 44) represent the main aspects through which we are able to mobilise value creation. Our true value is reflected in the manner in which we operate throughout the year (page 52) and by our response to the resulting risks and opportunities (page 48) and how we continue to meet stakeholder needs (page 50).

Making an informed assessment of our business and sustainability response requires an overview of material matters (page 76) in the Group. The material matters included in this report were identified through a structured process involving key internal stakeholders and incorporating S P Setia's business model and operating context.

Introduction

ICON NAVIGATION

The icons in this report are applied throughout to improve usability. The icons show the integration between relevant elements of the report and how we use our strategies and resources to create sustainable value for our stakeholders.

- Financial Capital
- Manufactured Capital
- Human Capital
- Social and Relationship Capital
- Natural Capital

We welcome feedback on this report. Please address any questions, comments or suggestions to corporate via email: corp@spsetia.com

>> About This Integrated Report

This Integrated Report is our primary report to shareholders and other stakeholders. It is supplemented by documents published as part of our annual results announcement on our website and the disclosures outlined below.

Our inaugural Integrated Report includes progress of our sustainability approach, how far along the journey we are and the value our sustainability initiatives have added to our business. S P Setia is committed to providing stakeholders with credible, transparent and timely information on our business sustainability performance with particular regard to risks, opportunities and challenges.

Reporting Boundary and Scope

The Integrated Report covers the primary activities of S P Setia, our business divisions, subsidiaries in the Malaysian and international operations as well as entities where S P Setia holds a controlling stake unless otherwise stated. Prepared in accordance with the International Integrated Reporting <IR> Framework, our first Integrated Report provides a concise and material assessment of our strategic path for achieving strong financial performance while also delivering environmental and societal value in an increasingly dynamic business sector. The information presented in this report describes the manner in which this value is created for our key stakeholders, including employees, regulators, suppliers and business partners, analysts as well as the communities in which we operate.

The report describes S P Setia's approach to sustainability and provides insights into our strategies. The scope highlights the economic, environmental and social aspects of our developments and operations in Malaysia, Vietnam, Australia, Singapore, China and the United Kingdom.

Reporting period

This is S P Setia's inaugural Integrated Report, with subsequent reports to be produced annually henceforth. This Integrated Report encapsulates material information encompassing our strategy and business model, operating contexts, material risks, stakeholder interests, performance, prospects and governance from 1 January 2018 to 31 December 2018 unless otherwise stated.

Our transition to integrated reporting marks our continuous efforts to improve our information disclosures.

OUR PRIMARY REPORTS TO STAKEHOLDERS

Interim Reports	Financial Results and Group Updates	Corporate Governance Reports
• Malaysian Companies Act 2016 • Malaysian Financial Reporting Standards (MFRS) • Main Market Listing Requirements of Bursa Malaysia Securities Berhad • Malaysian Code on Corporate Governance 2017 • International Integrated Reporting Framework **Financial Statements:** • Malaysian Companies Act 2016 • Malaysian Financial Reporting Standards (MFRS) • Main Market Listing Requirements of Bursa Malaysia Securities Berhad		

We create value through five identified capitals based on the <IR> Framework

Financial Capital	Manufactured Capital	Human Capital	Social and Relationship Capital	Natural Capital

Key stakeholders impacted
• Shareholders • Employees • Customers • Regulators • Suppliers • Business partners • Analysts • Communities • Non-profit partners

Reporting Boundary		
Group	Subsidiaries	Joint Ventures

Standards and Guidelines

This report applies the Guiding Principles of the International Integrated Reporting <IR> Framework and aligned with the Global Reporting Initiative (GRI) Standards: Core option.

All financial statements have been prepared in accordance to the requirements of the Companies Act 2016 and the Malaysian Financial Reporting Standards (MFRS).

Our Capitals

Our relevance as a business today and in the future, as well as our ability to create long-term value, are interrelated and fundamentally dependent on the forms of capital available to us (our inputs), how we use them (our value-added activities), and our impact and the value we produce (our outputs and outcomes).

Financial Capital	Manufactured Capital	Human Capital	Social and Relationship Capital	Natural Capital
Shareholders' equity and funding that are used to support business and operational activities including expansion activities.	Business structure and products including our development projects. Manufactured capital also encompasses operational processes as well as the framework and mechanics of how we do business and support the needs of our customers.	Our people, Team Setia, are at the heart of all that we do and we continue to invest in their growth in addition to nurturing a culture that incubates innovative and sustainable development solutions for our customers.	Community contribution efforts, including the developments that we build and operate.	Managing our impact on natural resources through our operations and business activities.

The United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (UN SDGs) have set a long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. S P Setia is committed to playing its role in the attainment of these goals by supporting global efforts to build a better tomorrow.

We have identified and prioritised the following five UN SDGs, where we believe we can make the most meaningful impact. Our approach to delivering on these goals is reviewed in our Sustainability Statement on page 76 of this Integrated Report 2018.

>> Who We Are

S P Setia Corporate Headquarters

We are purpose-driven and at our core, possess the ability to connect communities through our **livelearnworkplay** development philosophy. As a result, over the years, we have created thriving living environments that enrich the lives of our communities. The S P Setia brand has grown to be synonymous with creativity, reliability and value-driven leadership.

Today, S P Setia is held in good stead as a result of our extensive presence in the four key economic regions of Malaysia, namely the Klang Valley, Johor and Penang, as well as in Sabah. Internationally, we have built a strong presence in Vietnam, Australia, Singapore, the United Kingdom and China where we have successfully created high-quality properties and infrastructures. We also recently marked our foray into Japan.

Team Setia is our strength and what sets us apart from the rest. With a workforce of approximately 2,300 employees, Team Setia possesses diverse skills and backgrounds. We live, breathe and work the S P Setia culture. It is S P Setia's purpose to keep Team Setia's interests close to heart, and our team members in turn remain highly motivated and dedicated to our goal of becoming a world-class recognised brand. The talented individuals of Team Setia make the experience of acquiring and owning S P Setia properties truly memorable and unique.

For the convenience of Team Setia, the link bridge at S P Setia Headquarters provides connectivity to Setia City Mall in Setia Alam

At S P Setia, we pride ourselves on the value we place on our sustainability commitments. As a responsible corporate citizen, we are serious about doing our part to conserve the environment, empower communities and bring positive influence in the locations in which we operate. Our vehicle for positive change is the Setia Foundation which carries out our community engagement initiatives for the benefit and betterment of all. In fact, sustainability has been a key driver for the Group from the very start. Our mission, vision and core values embody this emphasis on sustainability, which translates to our ability to create exceptional properties that enrich lives and communities.

Moving forward, we will continue to seek new opportunities for growth, including new markets and target the realisation of our sustainability roadmap for the needs of present and future generations. Fueled by our passion, we remain committed to uplifting the quality of the lives we touch by designing places where people can thrive while minimising our impact on the environment. We are shaping a better tomorrow, today.

Being the No. 1 pure-play property developer in Malaysia, S P Setia has created meaningful developments to meet every need. With a portfolio comprising townships, eco-sanctuaries, luxury enclaves, high-rise residences, commercial and retail as well as integrated mixed developments, we are committed to contributing to the development of our nation and creating sustainable value for our stakeholders by building on our proven capabilities and ability to deliver on our promises.

In 2018, S P Setia was named the No. 1 winner of The Edge Top Property Developer Awards for the 11th-time, while also winning the Best Quantitative and Best Qualitative Attributes sub-awards. Other notable accolades this year include three World Gold Awards of the FIABCI World Prix d'Excellence Award 2018 and our ninth Aon Best Employers Malaysia Award.

>> **Our** Presence

UNITED KINGDOM
- Battersea Power Station

CHINA
- Qinzhou Industrial Park

JAPAN
- Izumisano City Centre

VIETNAM
- EcoLakes
- EcoXuan

SINGAPORE
- Daintree Residence

AUSTRALIA
- Sapphire by the Gardens
- UNO Melbourne
- MAISON Carnegie
- MARQUE Residences

MALAYSIA

Central Region
- Setia Alam
- Setia City Residences
- Setia EcoHill
- Setia EcoHill 2
- Setia Eco Park
- Setia Eco Templer
- Setia Eco Glades
- Setia Sky Seputeh
- Setia Seraya Residences
- Setia Alaman
- TRIO by Setia
- KL Eco City
- Bandar Kinrara
- Temasya Glenmarie
- Alam Impian
- Bandar Baru Seri Petaling
- Setia Alamsari
- Kota Bayuemas
- Alam Damai
- Alam Sutera

Northern Region
- Setia Pearl Island
- Setia Greens
- Setia SPICE
- Setia Sky Vista
- Setia Sky Ville
- Setia Fontaines

Southern Region
- Setia Eco Cascadia
- Setia Tropika
- Setia Indah
- Setia Eco Gardens
- Bukit Indah Johor
- Setia Sky 88
- Setia Business Park II
- Taman Perling
- Taman Rinting
- Taman Pelangi
- Taman Pelangi Indah
- Taman Industri Jaya

Eastern Region
- Aeropod

*KL Eco City, Kuala Lumpur

*Battersea Power Station, London

*Sapphire by the Gardens, Melbourne

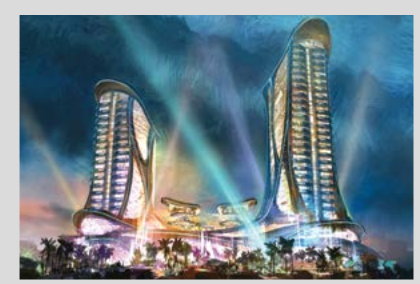
*Setia Sky Ville, Penang

Setia Eco Glades, Cyberjaya

Setia Eco Cascadia, Johor

EcoLakes, My Phuoc

*Aeropod, Kota Kinabalu



*Izumisano City Centre, Osaka

Alam Impian, Shah Alam

* Artist impression

>> Corporate Structure

Setia

PROPERTY DEVELOPMENT

- 100% Bandar Setia Alam Sdn Bhd
  - 50% Greenhill Resources Sdn Bhd
  - 100% Setia Alam Recreation Sdn Bhd
- 100% Setia Duta One Sdn Bhd#
- 50% Bandar Eco-Setia Sdn Bhd
  - 100% Setia Eco Park Recreation Sdn Bhd
- 100% Bukit Indah (Johor) Sdn Bhd
- 100% Setia Indah Sdn Bhd
- 100% Shabra Development Sdn Bhd
- 100% Syarikat Kemajuan Jerai Sdn Bhd#
  - 100% Lagavest Sdn Bhd#
    - 100% Ambleside Sdn Bhd#
- 100% Bukit Indah (Perak) Sdn Bhd
- 100% Setia Promenade Sdn Bhd
- 70% Bukit Indah Property Management Sdn Bhd
- 50% Golden Klang Valley Sdn Bhd#
- 100% Sendiman Sdn Bhd
- 100% Exceljade Sdn Bhd
- 100% Aeropod Sdn Bhd
- 70% Setia Eco Glades Sdn Bhd
- 70% Kemboja Mahir Sdn Bhd
  - 100% Ganda Anggun Sdn Bhd
- 100% Kewira Jaya Sdn Bhd
  - 100% Kay Pride Sdn Bhd
- 60% Setia Putrajaya Sdn Bhd
  - 100% Setia Putrajaya Construction Sdn Bhd#
  - 100% Setia Putrajaya Development Sdn Bhd
- 100% KL Eco City Sdn Bhd
- 100% Setia International Limited
  - 100% Setia MyPhuoc Limited
    - 55% SetiaBecamex Joint Stock Company
  - 100% Setia Land (China) Limited
  - 95% Setia Lai Thieu Limited
    - 100% Setia Lai Thieu One Member Company Limited
  - 100% Setia Australia Limited
    - 100% Setia (Melbourne) Development Company Pty Ltd
    - 100% Setia St Kilda (Melbourne) Pty Ltd
    - 100% Setia Carnegie Pty Ltd
    - 100% Setia A'Beckett (Melbourne) Pty Ltd
  - 40% Battersea Project Holding Company Limited & subsidiaries
  - 40% Battersea Power Station Development Company Limited
  - 40% Battersea Power Station Estates Limited
- 100% KL East Sdn Bhd
- 100% Setia City Development Sdn Bhd
- 100% Gita Kasturi Sdn Bhd
- 50% Retro Highland Sdn Bhd
- 100% Setia Ecohill 2 Sdn Bhd
- 100% Setia Hicon Sdn Bhd
- 100% Setia Fontaines Sdn Bhd
- 100% Setia Federal Hill Sdn Bhd
- 100% Setia Bina Raya Sdn Bhd
- 100% Intra Hillside Sdn Bhd
- 100% Setia Eco Templer Sdn Bhd
  - 100% Setia Eco Templer Recreation Sdn Bhd
- 100% Setia Eco Land Sdn Bhd
- 100% Setia Ecohill Sdn Bhd
  - 100% Setia Ecohill Recreation Sdn Bhd
- 100% S P Setia International (S) Pte Ltd
  - 100% Setia (Bukit Timah) Pte Ltd
- 100% Wawasan Indera Sdn Bhd
- 100% I & P Group Sdn Berhad
  - Refer to page 16
- 100% Setia International Japan Co. Ltd
  - 100% Setia Osaka Tokutei Mokuteki Kaisha
- 100% S P Setia Eco-Projects Management Sdn Bhd
- 70% Setia Safiro Sdn Bhd *(formerly known as Setia Eco Glades 2 Sdn Bhd)*

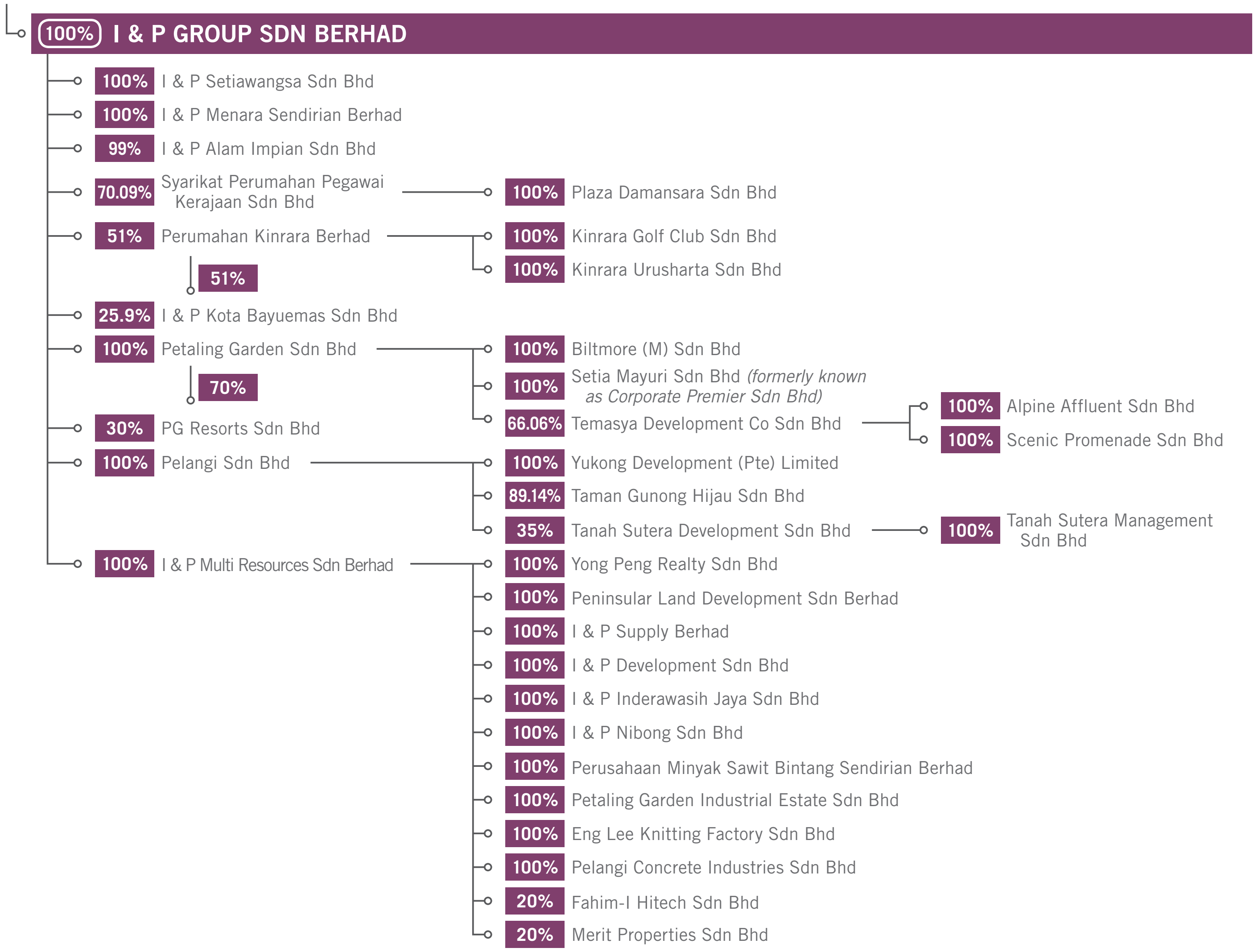
CONSTRUCTION

- 100% Setia Readymix Sdn Bhd
- 100% Setia Prefab Sdn Bhd
  - 100% Setia Precast Sdn Bhd
  - 100% Manih System Construction Sdn Bhd#
    - 60% Suharta Sdn Bhd*
      - 51% Suharta Development Sdn Bhd*
      - 60% Yunikhas Sdn Bhd*
        - 8% investment in Yunikhas Sdn Bhd is held by S P Setia Berhad
        - 10% investment in Yunikhas Sdn Bhd is held by Manih System Construction Sdn Bhd
      - 100% Aneka Baru (M) Sdn Bhd#

MANUFACTURING/INVESTMENT & PROPERTY HOLDING/PROPERTY MANAGEMENT/OTHERS

- 100% Setia-Wood Industries Sdn Bhd
  - 100% S P Setia Marketing Sdn Bhd
- 100% S P Setia Management Services Sdn Bhd
- 60% S P Setia Estate Management Sdn Bhd*
- 100% S P Setia PMC Sdn Bhd
- 100% S P Setia Technology Sdn Bhd
- 100% Futurecrest (M) Sdn Bhd
  - 70% Kesas Kenangan Sdn Bhd
- 100% S P Setia (Indonesia) Sdn Bhd
- 100% Setiahomes (MM2H) Sdn Bhd
- 99.9% Kenari Kayangan Sdn Bhd#
  - 49% PTB Property Developer Sdn Bhd
- 100% Tenaga Raya Sdn Bhd
- 100% Setia Eco Green Sdn Bhd
- 45% Qinzhou Development (Malaysia) Consortium Sdn Bhd
  - 49% China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co., Ltd.
- 100% Pelita Mentari Sdn Bhd
- 100% Flexrise Projects Sdn Bhd
- 100% S P Setia Property Services Sdn Bhd
- 100% Cosmotek Sdn Bhd#
  - 60% SJ Classic Land Sdn Bhd#
- 100% Indera Perasa Sdn Bhd
  - 100% Dian Mutiara Sdn Bhd#
- 100% Setia Eco Heights Sdn Bhd
- 100% S P Setia Development Pte Ltd
- 100% S P Setia DMC Sdn Bhd
- 100% Setia EM (Central) Sdn Bhd
- 100% Setia IP Holdings Sdn Bhd
- 100% Eco Meridian Sdn Bhd
- 100% Setia Ventures Excellence Sdn Bhd
- 100% S P Setia Project Management Sdn Bhd

* In Creditors' Voluntary Liquidation
\# In Members' Voluntary Liquidation



>> **Corporate** Information

BOARD OF DIRECTORS

Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail
Non-Independent Non-Executive Chairman

Dato' Khor Chap Jen
President and Chief Executive Officer

Dato' Ahmad Pardas Bin Senin
Senior Independent
Non-Executive Director

Dato' Halipah Binti Esa
Independent Non-Executive Director

Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Independent Non-Executive Director

Puan Noraini Binti Che Dan
Independent Non-Executive Director

Mr Philip Tan Puay Koon
Independent Non-Executive Director

Tengku Dato' Ab. Aziz Bin Tengku Mahmud
Non-Independent
Non-Executive Director

Dato' Zuraidah Binti Atan
Independent Non-Executive Director

Dato' Azmi Bin Mohd Ali
Non-Independent
Non-Executive Director

EXECUTIVE COMMITTEE
Dato' Halipah Binti Esa (Chairman)
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Dato' Khor Chap Jen
Datuk Wong Tuck Wai

NOMINATION AND REMUNERATION COMMITTEE
Mr Philip Tan Puay Koon (Chairman)
Dato' Ahmad Pardas Bin Senin
Dato' Azmi Bin Mohd Ali

AUDIT COMMITTEE
Puan Noraini Binti Che Dan (Chairman)
Mr Philip Tan Puay Koon
Dato' Zuraidah Binti Atan

RISK MANAGEMENT COMMITTEE
Dato' Ahmad Pardas Bin Senin (Chairman)
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Tengku Dato' Ab. Aziz Bin Tengku Mahmud
Dato' Halipah Binti Esa

SECRETARY
Ms Lee Wai Kim (MAICSA 7036446)

REGISTERED OFFICE
S P Setia Berhad Corporate HQ
12 Persiaran Setia Dagang
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan
Tel : +603-3348 2255
Fax : +603-3344 1568

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01 Level 32 Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

AUDITORS
Ernst & Young (AF 0039)
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

SOLICITORS
Lee Hishamuddin Allen & Gledhill
Shearn Delamore & Co
Wong & Partners
Zaid Ibrahim & Co

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad

INDICES
FTSE Bursa Malaysia
MSCI

WEBSITE
www.spsetia.com

BANKERS
Affin Bank Berhad
Alliance Bank Malaysia Berhad
Al-Rajhi Banking & Investment Corporation (Malaysia) Berhad
Ambank (M) Berhad
AmIslamic Bank Berhad
Bank of China (Malaysia) Berhad
Bank Islam Malaysia Berhad
Bank Muamalat Malaysia Berhad
CIMB Bank Berhad
CIMB Islamic Bank Berhad
DBS Bank Ltd.
Exim-Import Bank of Malaysia Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Industrial and Commercial Bank of China (Malaysia) Berhad
Malayan Banking Berhad
Maybank Islamic Berhad
OCBC Bank (Malaysia) Berhad
Oversea-Chinese Banking Corporation Limited
Public Bank Berhad
RHB Bank Berhad
RHB Islamic Bank Berhad
Standard Chartered Bank Malaysia Berhad
Sumitomo Mitsui Banking Corporation

>> **Corporate** Calendar

20 January 2018

S P Setia unveils UNO Melbourne

UNO Melbourne was unveiled at Setia International Centre. The exclusive preview garnered good interest and response from discerning home buyers.

1 February 2018

Starter Home series at Setia Alam sold out on launch day

The much-anticipated launch of Careya, the first of Setia Alam's Starter Home series, was well received by home buyers who were presented with the opportunity to fulfil their dreams of owning a home in the mature, amenity-rich and award-winning township. All allocated units were sold out on the first day of the launch.

7 March 2018

Masterchef flavours at S P Setia's Chinese New Year dinner in Melbourne

S P Setia Melbourne hosted a Chinese New Year celebration which saw international celebrity chef Shannon Bennet and his actress wife, Madeline West, gracing the event together with Australian Masterchef 2017 champion, Malaysian-born Diana Chan.

8 March 2018

Citizen Setia experience the grandeur of 'Cirque De La Symphonie' courtesy of S P Setia

A host of privileged members of Citizen Setia were rewarded with a magical experience and spectacular performance at the 'Cirque De La Symphonie' held at Petronas Philharmonic Hall, Kuala Lumpur Convention Centre.

14 March 2018

Key recognition for S P Setia's iconic SPICE development in Penang at the StarProperty.my Awards 2018

Besides being acknowledged as one of the Top Rank Developers of the Year, S P Setia also landed the WOW Award, with Setia SPICE Convention Centre being awarded the 'Most Iconic Development (Commercial)' at the StarProperty.my Awards 2018. The Group was also declared the top winner in the Reader' & Voters' Choice Award 2018 category.

17 March 2018

S P Setia's '60th Jubilee Mega Merdeka Giveaway' rewards Citizen Setia

A group of 67 Citizen Setia walked away with prizes and cash rebates amounting to RM1.3 million at the event, which was launched to commemorate Malaysia's 60th Independence Day celebrations.

15 April 2018

#StandTogether Carnival against bullying by S P Setia and Star Media Group a huge success

The #StandTogether bullying prevention campaign championed by S P Setia together with Star Media Group and various key partners and celebrities was a resounding success, culminating with a fun-filled carnival at Setia City Convention Centre. The event recorded an attendance of more than 1,000 visitors who came together to support the first week of April as the designated annual National Kindness Week in schools nationwide.

22 April 2018

Environmentally-friendly EcoHill Park and Setia SPICE developments honoured by Malaysia Landscape Architecture Awards (MLAA) 2018

EcoHill Park, the pride of Setia EcoHill in Semenyih, received MLAA's Excellence Award under the Landscape Development Award – Developer & GLC Category in recognition for its sustainable landscape development, while Setia SPICE won MLAA's Honour Award for its unique eco-landscape features in the same award category.

1 May 2018

Hat-trick wins by S P Setia at FIABCI World Prix d'Excellence Awards 2018

S P Setia garnered three FIABCI World Gold awards this year, namely the Affordable Housing Category for Seri Kasturi Apartment project in Setia Alam; the Master Plan Category for Setia Eco Glades project in Cyberjaya; and the Sustainable Development Category for the Eco Sanctuary project in Singapore. This win marks the first time S P Setia has won three awards at the FIABCI World Prix d'Excellence Awards Ceremony in a single year.

7 May 2018

S P Setia lands first ever EdgeProp Malaysia's Responsible Developer: Building Sustainable Development Award 2018

S P Setia continued its award-winning streak with an iconic win at EdgeProp Malaysia's Best Managed Property Awards 2018, organised by EdgeProp.my. Aiming to raise the bar for property management practices in the country, the awards ceremony saw S P Setia landing the EdgeProp Malaysia's Responsible Developer: Building Sustainable Development Award 2018, one of the two new awards introduced this year.

4 June 2018

S P Setia continues to commemorate World Environment Day (WED) in 2018

Since 2008, S P Setia has commemorated WED in order to heighten public awareness towards major environmental issues, with an emphasis on awareness among the younger generation. This year, S P Setia celebrated WED with selected children under its Setia Foundation adopted schools programme in Johor with its #BeatPlasticPollution campaign.

29 June 2018

S P Setia honoured at BCI Asia's Top 10 Awards 2018 for the eighth time

S P Setia was once again awarded the prestigious Top 10 Developers Awards at the BCI Asia Awards 2018, a recognition it has garnered for eight consecutive years since 2011.

27 July 2018

S P Setia announced dual hotel partnership with ONYX Hospitality Group

S P Setia announced ONYX as the official hotel operator for the two new Amari hotels in KL Eco City and Setia SPICE respectively.

28 July 2018

S P Setia launches Daintree Residence, Singapore

Daintree Residence was launched as S P Setia's third residential condominium in Singapore. It is strategically nestled within the Bukit Timah private enclaves and just a few minutes walk to Beauty World MRT.

19 August 2018

The opening of EcoHill 2 Link by S P Setia offers excellent accessibility to residents of Semenyih

S P Setia celebrated the opening of EcoHill 2 Link and South Creek, the new Setia EcoHill 2 town park, with a ceremony officiated by the Selangor State Executive Council member, and graced by the Semenyih State Assemblyman.

5 September 2018

S P Setia records ninth win at AON Best Employers Awards 2018
S P Setia once again raised the bar for Human Resource practices, excelling in maintaining age diversity at the workplace, by winning the 'Best Employer' award for the ninth time.

8 September 2018

'Jet Set with Setia 2.0' rewards Citizen Setia
The 'Jet Set with Setia 2.0' campaign saw seven lucky winners walk away with holiday packages to destinations of their choice. Citizen Setia is a unique platform offering bespoke lifestyle experiences to reward loyal customers of Setia.

3 October 2018

Setia-Wood obtains Chain of Custody (CoC) from Malaysian Timber Certification Scheme (MTCS)
Setia-Wood Industries Sdn Bhd (Setia-Wood), a subsidiary of S P Setia, obtained the Chain of Custody (CoC) certification under the Malaysian Timber Certification Scheme (MTCS), demonstrating its commitment to source sustainable materials. With this certification, S P Setia becomes the first property developer in Malaysia to showcase its support for sustainable forest management.

23 October 2018

Ground-breaking ceremony for Sapphire by the Gardens in Melbourne
The ground-breaking ceremony for the Group's largest project in Australia was graced by The Right Honourable Lord Mayor of Melbourne.

30 October 2018

Remarkable feat as S P Setia retains No. 1 Spot for a record-breaking 11th time with a hat-trick win at The Edge Malaysia Property Excellence Awards 2018
For the first time in the awards' history, S P Setia was once again ranked the No. 1 top developer for the 11th time. S P Setia also bagged the 'Best in Quantitative Attributes' and the 'Best in Qualitative Attributes' awards.

1 November 2018

Launching ceremony of the Abdullah Hukum KTM Station at S P Setia's KL Eco City (KLEC)
The Abdullah Hukum KTM station in KLEC which was built by S P Setia was successfully launched by the Transport Minister of Malaysia.

18 November 2018

Setia SPICE records win at Malaysia Property Award 2018 by FIABCI Malaysia
Setia SPICE was the winner of the Purpose Built category, a recognition which reinforces S P Setia's position as an award-winning, multidisciplinary property developer in the industry.

27 November 2018

S P Setia Melbourne's CEO helms council as President of Malaysian Developers Council of Australia (MDCA)

S P Setia Melbourne's CEO, Datuk Choong Kai Wai, was elected to lead the MDCA in Melbourne to formally introduce MDCA as the platform for Malaysian developers looking to grow their presence in Australia.

1 December 2018

Double merit awards for S P Setia at MIPPEA 2018

S P Setia was awarded merit awards for Setia Eco Park in Shah Alam (Design Excellence Award – Above 500 Acres category) as well as EcoHill Park in Setia EcoHill, Semenyih (Place Making and Public Space Award – Private Sector category) at the Malaysian Institute of Planners Planning Excellence Awards (MIPPEA) 2018.

28 November 2018

S P Setia unveils Baccas show unit at Setia EcoHill 2, Semenyih – offering homebuyers a chance to own a home that Malaysians co-created through the MyHome initiative

The unveiling of the MyHome initiative which was a joint effort by S P Setia, LaFarge Malaysia and EdgeProp.my was graced by the Minister of Housing and Local Government (Malaysia).

11 December 2018

S P Setia continues to stamp its mark at The Edge Billion Ringgit Club (BRC) & Corporate Awards 2018

S P Setia Berhad made its mark in The Edge-BRC Highest Growth In Profit (over three years) category under the Property Sector – RM3 billion and above market capitalisation at The Edge Billion Ringgit Club & Corporate Awards 2018. Evaluated based on the company's compound profit growth for a period of three years, S P Setia was one of the few who stood out from the rest of the developers for not posing any losses throughout the period of evaluation.

>> Accolades

11 times No. 1 Winner The Edge Malaysia Top Property Developers Awards 2018	10 times Winner FIABCI World Prix d'Excellence Awards 2018	11 times Winner FIABCI Malaysia Property Award 2018	9 times Winner AON Best Employers – Malaysia Awards 2018

StarProperty.my Awards 2018
- The All-Star Award – Top Ranked Developers of the Year
- The WOW Award Category (Most Iconic Development for Commercial) – Excellence Award
  - Setia SPICE Convention Centre
- StarProperty.my Readers' & Voters' Choice Award

Malaysia Landscape Architecture Awards MLAA *2018
- Developer & GLC Category – Landscape Development Award
  - EcoHill Park, Setia EcoHill – Excellence Award
  - Setia SPICE, Penang – Honour Award

Year of award ceremony

FIABCI World Prix d'Excellence Awards 2018
- Affordable Housing Category – World Gold Winner
  - Seri Kasturi Apartment, Setia Alam
- Master Plan Category – World Gold Winner
  - Setia Eco Glades, Cyberjaya
- Sustainable Development Category – World Gold Winner
  - Eco Sanctuary, Singapore

EdgeProp Malaysia's Best Managed Property Awards 2018
- Responsible Developer: Building Sustainable Development Award

Malaysia Green Building Confederation Leadership in Sustainability Awards 2018
- The Business Leadership in Sustainability Award – Finalist

BCI Asia Awards 2018
- Top 10 Developers Award

AON Best Employers – Malaysia Awards 2018
- Best Employers Award

Reader's Digest Trusted Brand Awards 2018
- Property Development Category – Platinum

Putra Brand Awards 2018
- Property Development Category – Gold

The Edge Malaysia Property Excellence Awards 2018
- The Edge Malaysia Top Property Developers Awards 2018 – Rank No. 1 Property Developer
- Best in Quantitative Attributes Award
- Best in Qualitative Attributes Award

FIABCI Malaysia Property Award 2018
- Purpose-Built Category
  - Setia SPICE

Malaysia Institute of Planner Excellence Awards (MIPPEA) 2018
- Place Making and Public Space Award (Private Sector) – Merit
  - EcoHill Park, Setia EcoHill
- Design Excellence Award (Above 500 Acres) – Merit
  - Valley of Dreams, Setia Eco Park

The Edge Billion Ringgit Club (The Edge BRC) & Corporate Awards 2018
- Highest Growth in Profit (over three years) for Property Sector – RM3 billion and above market capitalisation

>> Chairman's Message

S P Setia is committed to accelerating our growth and spurring greater value creation for our stakeholders. Towards this end, we will leave no stone unturned in our commitment to continued excellence in everything that we do.

It gives me great pleasure to share my perspectives as the new Chairman of S P Setia. We have maintained our position as Malaysia's No. 1 pure-play property developer. The strength and resilience that we have shown to date, have placed us at the forefront of sustainable and progressive property development. It also cements the trust placed in us by our stakeholders to create value.

Aspiration is at the core of this philosophy, and so is heart, both which have made S P Setia the organisation that it is today. Our "Stay Together. Stay Setia" brand mantra reflects our commitment to deliver our best and consequently, positively impact the lives we touch. It is also an ideal that defines us; where life, learning, work and play convene in a single, seamless space. It is together that we have found our purpose and it is this harmony that adds to everything that we do.

This year, I am privileged to introduce S P Setia's inaugural Integrated Report. The Integrated Report will allow us to elaborate on value creation with focuses on financial capital, manufactured capital, human capital, social and relationship capital as well as natural capital while we remain committed in creating long-term value for all our stakeholders. Over the years, S P Setia has played a pivotal role in making a positive impact on society via our developments and this role will only be enhanced in the years to come.

Our focus on quality, responsibility, sustainability and customer centricity is what defines us and we will continue to leverage on these strengths.

We will continue to fuel the momentum of this performance and improve on our efficiency as well as intensify our customer-centric aspirations. We will also strive to forge partnerships that enhance deliverables and facilitate home ownerships for the nation. As we do so, we will remain nimble and adept at responding to the changes in our environment, including embracing technology and policy shifts in order to deliver the continuous creation of long-term benefits to our stakeholders.

"Inspired by our "Stay Together. Stay Setia" philosophy, we have made a name for ourselves as the No. 1 pure-play property developer in Malaysia. In doing so, we continue to contribute to the nation's growth in a progressive and sustainable manner. Our strength is derived from Team Setia, who continue to bolster S P Setia's business and spirit in countless ways. We have thus been able to accelerate our journey forward and continue to deliver value to our stakeholders."

IMPROVED PERFORMANCE IN AN EVOLVING OPERATING ENVIRONMENT

It is heartening to see S P Setia's strong performance in delivering on its key strategic objectives amidst a challenging market environment. The economic environment in Malaysia is evolving fast and consumer expectations are high. Continued vigilance, together with the ability to manage vulnerabilities and risks are critical to ensure that our growth momentum is in good stead. We are focused on responding to changes in the property cycle appropriately while enhancing our economic fundamentals. Our strength lies in supplying a range of products that meet the varying needs of customers whilst continuing to pioneer changes in the economy by creating developments with the right amenities and infrastructure to ensure our communities live purposefully and comfortably. At the same time, we always strive to enhance our sustainability credentials.

The global economic environment remains highly volatile with an expected slowdown in global growth, financial market pressures and mounting trade tensions. Global economies are still grappling with headwinds from Brexit, continued volatility in oil prices and slower loan growth. S P Setia's business performance is impacted by the trends in the property market in the countries in which we operate.

Nevertheless, we remain alert and will strive our best to navigate these challenges by capitalising on our strengths. As we move into the future, it is important to recognise that the global landscape fundamentals have changed. Ongoing investments to improve our capabilities and standing will equip our workforce with the relevant skills and readiness to tap on emerging opportunities.

S P Setia is on course to sustain its growth in order to contribute to the realisation of a stronger economic environment in Malaysia.

Artist impression of Sapphire by the Gardens

Our prioritisation of excellence has earned us key accolades, such as garnering our 10th FIABCI World Prix d'Excellence Award, our 11th No. 1 Property Developer Award at The Edge Malaysia Property Excellence Awards 2018 and 9th win at the AON Best Employers – Malaysia Awards 2018.

DELIVERING TO STAKEHOLDERS

The encouraging performance this year is by no means cause for complacency. We will continue to strive to produce better results, and achieve our deliverables accordingly. I am confident in our leadership team's capability, direction and resources to deliver on the strategic agenda. This is essential to ensure sustained value creation for our shareholders and other stakeholders. It is here that the critical role played by our people, Team Setia, comes to the fore. I am truly proud of the outstanding dedication, professionalism and resilience showed by Team Setia who strive to achieve their very best every day.

Artist impression of Daintree Residence

Isle of Kamares, Setia Eco Glades

Underlying all efforts is the emphasis on good governance practices, with a focus on reliability, integrity and transparency at S P Setia. It remains a key responsibility for us to uphold the trust placed in us by our stakeholders via good governance practices. Over the years, we have enhanced our systems and controls to ensure the highest standards of governance are adhered to but ultimately it is the culture that is embedded in the organisation that will ensure that the right standards are subscribed to.

For the community, we continue to build thriving communities through the Setia Foundation. Guided by the ethos of inculcating a 'caring society', a key initiative by S P Setia in 2018 was the #StandTogether campaign aimed at preventing bullying, organised together with various key partners and celebrities. The event concluded with a grand carnival at Setia City Convention Centre, attended by more than 1,000 visitors who gathered to show their support.

In 2018, the Foundation rolled out several initiatives under its Setia Caring School Programme, where we adopted several public schools to elevate them to greater heights. Highlights for this year include the Caring Roadshow and the Unity Field Trip.

APPRECIATION

It is my greatest honour to serve the S P Setia Group and I would like to thank every single one of my Team Setia colleagues for their tireless contributions and excellent teamwork.

I would like to express my heartfelt gratitude to Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin, former Chairman of S P Setia, for his meaningful contributions to the Group and I wish him every success in his future endeavours.

I am confident that S P Setia will continue to grow and thrive. I would also like to take this opportunity to thank our shareholders and other stakeholders for their continued support.

I would also like to express my gratitude to my fellow Board members, as well as the leadership team and the rest of Team Setia, whose commitment and dedication have helped us achieve our goal to create a robust and thriving organisation. With a proven resilience record and a comprehensive strategic plan in place, S P Setia is well-positioned to generate long-term value for all stakeholders.

Thank you.

Y.A.M Tan Sri Dato' Seri Syed Anwar Jamalullail
Non-Independent Non-Executive Chairman

>> Board of Directors
(as at 17 April 2019)

Y.A.M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Non-Independent Non-Executive Chairman

Malaysian | Male | 67 years of age

- Bachelor of Arts in Accounting from Macquarie University, Sydney, Australia
- Member of Malaysian Institute of Accountants
- Certified Practising Accountant, Australia

Date of Appointment as Director of S P Setia Berhad:
3 January 2019

Presently, Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail is the Chairman of Nestle (Malaysia) Berhad and Lembaga Zakat Selangor. He is also the Chancellor of SEGi University.

Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail commenced his career with Malaysian Airlines Systems Berhad in 1975 as a Financial Accountant, before moving on to hold executive senior positions in various companies. His last position was as the Group Managing Director of Amanah Capital Partners Berhad.

Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail was formerly the Chairman of the Lembaga Tabung Haji Investment Panel, Cahya Mata Sarawak Berhad, Malaysia Airports Holdings Berhad, Media Prima Berhad, Malaysian Resources Corporation Berhad, DRB-Hicom Berhad, Malakoff Corporation Berhad, EON Bank Berhad, Uni Asia Life Assurance Berhad, Uni Asia General Insurance Berhad and Radicare (M) Sdn Bhd. He was also an Independent Director of Maxis Communications Berhad and Bangkok Bank Berhad.

He does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He does not have any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' KHOR CHAP JEN
President and Chief Executive Officer

Malaysian | Male | 59 years of age

- Bachelor of Engineering (Hons) from University of Malaya
- Fellow of the Institution of Engineers, Malaysia
- Professional Engineer registered with the Board of Engineers, Malaysia

Date of Appointment as Director of S P Setia Berhad:
2002 to 2009; 27 June 2013

Dato' Khor Chap Jen is the President and Chief Executive Officer (CEO) of S P Setia Berhad, a role he assumed effective 1 April 2016. He was the Acting President and CEO from 1 January 2015 to 31 March 2016 and Acting Deputy President/Chief Operating Officer of S P Setia Berhad from 1 May 2014 to 31 December 2014. Prior to that, he was the Executive Vice President of the S P Setia Berhad Group, overseeing the northern and central region of the Property and Construction Divisions of the Group as well as the Group's overseas subsidiaries in Australia and Vietnam.

Dato' Khor joined the S P Setia Berhad Group in 1995 and was previously the General Manager of the Property Division prior to being seconded to Setia Putrajaya Sdn Bhd as the Deputy Chief Executive Officer. His secondment to this joint-venture company from 1997 to 2000 was to lead the team in the development of the government's New Administrative Centre in Putrajaya. During his stint there, he played a prominent role in the successful completion of the prestigious Prime Minister's Office Complex and the Prime Minister's Official Residence. He has also successfully delivered over 5,000 apartment units to house the civil servants in Putrajaya.

Prior to joining the S P Setia Berhad Group, Dato' Khor was the Associate Director for Jurutera Perunding Kemajuan Sdn Bhd, an engineering consultancy firm. He was involved in the design and construction of housing, industrial, highways and infrastructure projects. Among the notable projects are the North-South Expressway and the KESAS Highway. Dato' Khor has in all, over 30 years of experience in the construction and property development industry.

Dato' Khor is the current REHDA National Deputy President and Chairman of the Planning Policies and Standards Committee. He is also a director of Perumahan Kinrara Berhad.

He does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

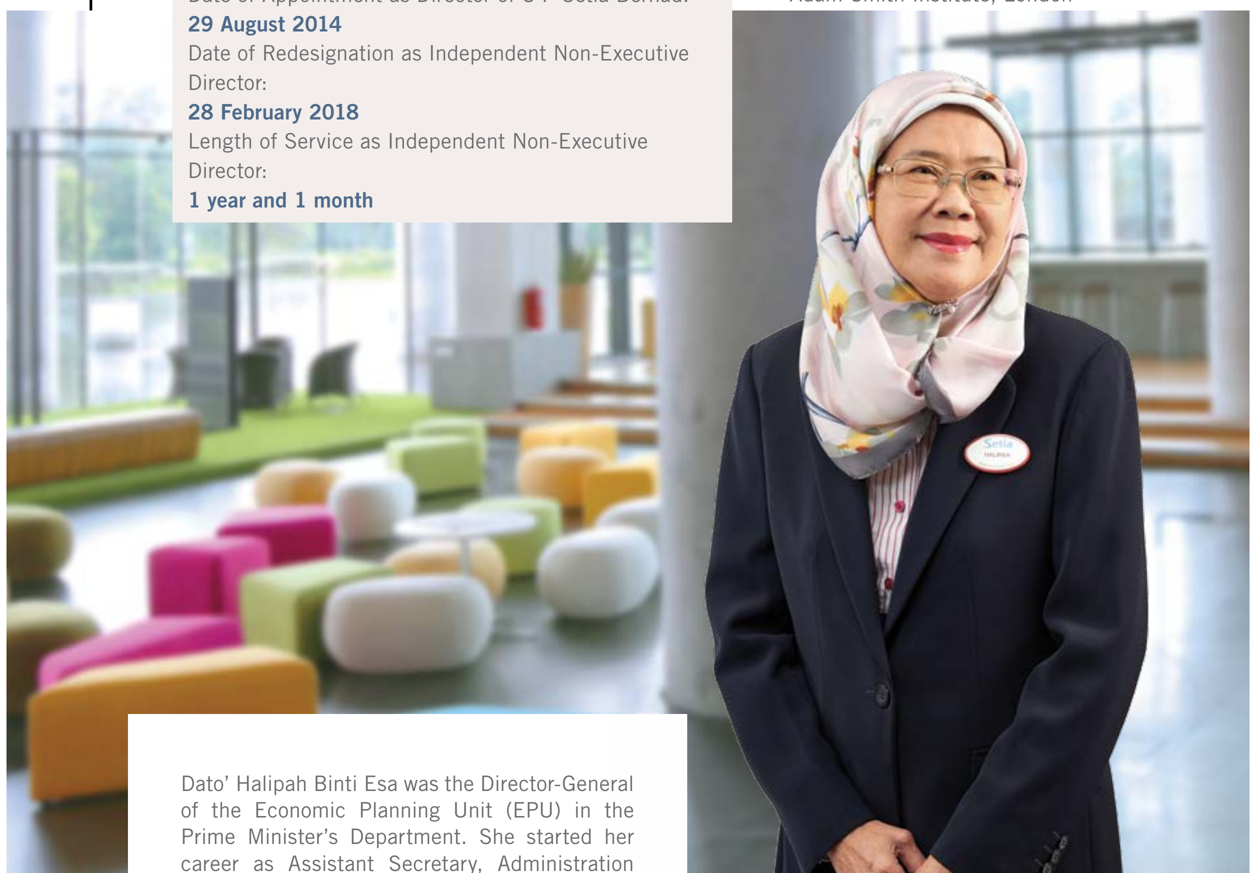
» DATO' HALIPAH BINTI ESA

Independent Non-Executive Director

Malaysian | Female | 69 years of age

Date of Appointment as Director of S P Setia Berhad:
29 August 2014
Date of Redesignation as Independent Non-Executive Director:
28 February 2018
Length of Service as Independent Non-Executive Director:
1 year and 1 month

- Bachelor of Arts (Hons) in Economics from University of Malaya
- Master of Economics from University of Malaya
- Certificate in Economic Management, IMF Institute, Washington and the Kiel Institute for World Economics, Germany
- Certificate in Advanced Management Programme, Adam Smith Institute, London



Dato' Halipah Binti Esa was the Director-General of the Economic Planning Unit (EPU) in the Prime Minister's Department. She started her career as Assistant Secretary, Administration and Diplomatic Services in 1973 in the EPU. She held various senior positions in the EPU and retired as the Director General in 2006. She had also served in the Ministry of Finance as Deputy Secretary General.

She was previously the Chairman of Pengurusan Aset Air Berhad and had also served on the boards of Petroliam Nasional Berhad, Employees Provident Fund Board, Inland Revenue Board, Lembaga Kemajuan Tanah Persekutuan (FELDA), UDA Holdings Berhad, Bank Pertanian Malaysia Berhad, NCB Holdings Berhad, Malaysia Deposit Insurance Corporation and MISC Berhad.

Currently, her directorships in other public companies include KLCC Property Holdings Berhad, Malaysia Marine and Heavy Engineering Holdings Berhad and Cagamas Berhad. She is also a director of several private limited companies.

She does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. She has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

» DATO' AHMAD PARDAS BIN SENIN

Senior Independent Non-Executive Director

Malaysian | Male | 66 years of age

Date of Appointment as Director of S P Setia Berhad:
17 September 2014
Length of Service as Independent Non-Executive Director:
4 years and 7 months

- Fellow of the Chartered Institute of Management Accountants
- Member of the Malaysian Institute of Accountants
- Member of the Institute of Internal Auditors Inc

Dato' Ahmad Pardas Bin Senin had more than 43 years' experience in the corporate sector, including 25 years at board level. He retired as the Managing Director and CEO of UEM Group Berhad in June 2009, after having served the UEM Group for more than 17 years since 1992. During his tenure at UEM Group, he held various key positions including as Managing Director of UEM World Berhad, Renong Berhad, TIME Engineering Berhad, TIME dotCom Berhad and EPE Power Corporation Berhad. He also served as Executive Director and CEO of Silterra Malaysia Sdn Bhd.

He was previously also Chairman of Malaysian Directors Academy (MINDA), Deputy Chairman of PLUS Expressways Berhad, UEM Land Holdings Berhad, UEM Builders Berhad and Costain Group plc., as well as a board member of Faber Group Berhad, Pharmaniaga Berhad, Opus Group Berhad, UEM Environment Sdn Bhd, Sime Darby Energy Sdn Bhd, Sime Darby Industrial Holdings Sdn Bhd, Universiti Teknologi MARA and Universiti Malaysia Kelantan.

Prior to UEM Group, he worked for the British American Tobacco (BAT) Group for more than 17 years, including three years at their London office. His last position in BAT Group was as the Financial Controller of Malaysian Tobacco Company Berhad.

Dato' Ahmad Pardas is currently the Chairman of Desaru Development Corporation Sdn Bhd, Desaru Development Holdings One Sdn Bhd, and Battersea Project Holding Company Limited. He is also a member of the Board of Sime Darby Berhad, Silterra Malaysia Sdn Bhd and Themed Attractions Resorts & Hotels Sdn Bhd.

He does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' SERI IR. HJ. MOHD NOOR BIN YAACOB

Independent Non-Executive Director

- Bachelor of Engineering, Universiti Teknologi Malaysia

Malaysian | Male | 65 years of age

Date of Appointment as Director of S P Setia Berhad:
15 October 2014
Length of Service as Independent Non-Executive Director:
4 years and 6 months

Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob was the Director-General of the Public Works Department, a position he held from 2011 until 31 March 2014. He joined the civil service in 1977 as a Works Engineer in the Public Works Department and served in various capacities within the Department. He was also the President of the Board of Engineers of Malaysia.

He is a director of Prasarana Malaysia Bhd and several private limited companies.

He does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' ZURAIDAH BINTI ATAN

Independent Non-Executive Director

- LL.B (Hons) from the University of Buckingham, England
- Certificate in Legal Practice, Malaysia

Malaysian | Female | 59 years of age

Date of Appointment as Director of S P Setia Berhad:
16 December 2014
Date of Re-designation as Independent Non-Executive Director:
28 February 2018
Length of Service as Independent Non-Executive Director:
1 year and 1 month

Dato' Zuraidah Binti Atan is a member of the Malaysian Bar. She is currently in legal practice with her own legal firm, Chambers of Zuraidah Atan, since year 2004. Starting her career as an officer in a bank, she has had more than 30 years of experience in the banking industry. She also served for a period as President/CEO of an investment bank.

She was an arbitrator in the KL Regional Centre for Arbitration and serves as an Honorary Advisor to National Cancer Society of Malaysia, a non-governmental organisation engaged in cancer awareness and charity. She was the Chairman of Yayasan Sukarelawan Siswa / Student Volunteers Foundation, a wholly-owned entity of Government of Malaysia (via Ministry of Education) that helps build Global Student Volunteer Leaders. She is Chairman, IATSS Forum (Japan) National Committee, Malaysia, an annual ASEAN-JAPAN Leadership Training programme for young professionals, who are sent to Suzuka City, Mie Prefecture, Japan.

She was an Independent member of the Consultation and Corruption Prevention Panel of Malaysian Anti-Corruption Commission. She was also a Public Interest Director of Bursa Malaysia Berhad, Bursa Malaysia Derivatives Berhad and Bursa Malaysia Derivatives Clearing Berhad.

She is a director of Kenanga Islamic Investors Berhad. On 26 November 2018, Dato' Zuraidah was awarded the BrandLaureate Business Entrepreneur: Brand ICON Leadership Award 2018 in recognition for her professional work and her volunteer work in capacity building of students and youth volunteer leaders. She has become an influencer among youths in ASEAN.

She does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. She has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

TENGKU DATO' AB. AZIZ BIN TENGKU MAHMUD

Non-Independent Non-Executive Director

Malaysian | Male | 61 years of age

Date of Appointment as Director of S P Setia Berhad:
12 January 2015

- Master of Business Administration from Cranfield Institute of Technology, United Kingdom
- Bachelor of Science (Hons) in Civil Engineering, Loughborough University of Technology, United Kingdom
- Diploma in Management with Merit from Malaysian Institute of Management

Tengku Dato' Ab. Aziz Bin Tengku Mahmud is currently the CEO of PNB Merdeka Ventures Sdn Bhd, a wholly-owned subsidiary of Permodalan Nasional Berhad. He is responsible for the development of the Merdeka 118 project, comprising a 118-storey tower, retail mall, hotels and condominiums.

Prior to his appointment as the CEO of PNB Merdeka Ventures Sdn Bhd on 1 April 2010, he was the Head, Property Development of Sime Darby Property Berhad from August 2008 to March 2010. He was responsible for the Property Development Operations in addition to the Hospitality, Leisure and Asset Management of the Property Division. He also served Kumpulan Guthrie Berhad as its Head of Property and was the CEO of Guthrie Property Development Holding Berhad from 2005 to 2007.

Tengku Dato' Ab. Aziz is a member of the Council on Tall Buildings and Urban Habitat, the Institution of Engineers Malaysia and Malaysian Institute of Management.

He does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

NORAINI BINTI CHE DAN

Independent Non-Executive Director

Malaysian | Female | 63 years of age

Date of Appointment as Director of S P Setia Berhad:
11 September 2015
Length of Service as Independent Non-Executive Director:
3 years and 7 months

- Honours Degree in Economics, University of Manchester, United Kingdom
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

Puan Noraini Binti Che Dan was the Vice President of Finance at MISC Berhad. Prior to that, she served Pernas International Holdings Berhad for 15 years in various capacities including as Group General Manager and Chief Financial Officer. She was also an Audit Senior of a public accounting firm, Hanafiah Raslan & Mohamad.

Puan Noraini is an Independent Director of Tenaga Nasional Berhad, BIMB Holdings Berhad and Bank Islam Berhad.

She does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad, or any conflict of interest with the Company. She has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

PHILIP TAN PUAY KOON

Independent Non-Executive Director

Malaysian | Male | 62 years of age

- First Class Honours B.A. Degree in Business Studies (Accounting and Finance), North-East London Polytechnic, United Kingdom
- Oxford International Executive Programme
- Stanford-NUS Executive Programme

Date of Appointment as Director of S P Setia Berhad:
11 September 2015
Length of Service as Independent Non-Executive Director:
3 years and 7 months

Mr Philip Tan Puay Koon was a Managing Director in Citigroup where he served as the Chief Financial Officer of Emerging Market (EM) Sales & Trading, Asia Pacific of Citibank NA and as Director of Risk Treasury, Asia Pacific in the Regional Office in Singapore. Prior to 2001, he was the Financial Markets Head and Country Treasurer of Citibank Berhad and a Director of Citibank Malaysia (L) Limited.

He has close to three decades of experience in the field of banking and finance, principally in the areas of Treasury and Risk Management. Prior to 1995, Mr Philip Tan spent 14 years with the MUI Group in Malaysia where he served in various senior management positions.

His directorships in other public companies include Cagamas Berhad and Citibank Berhad. Mr Tan also serves as a member of the Corporate Debt Restructuring Committee, established by Bank Negara Malaysia.

Mr Philip Tan is a Fellow of the Institute of Corporate Directors Malaysia, an Associate Fellow of the Asian Institute of Chartered Bankers and an adjunct faculty member of Financial Institutions Directors Education.

He does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' AZMI BIN MOHD ALI

Non-Independent Non-Executive Director

Malaysian | Male | 59 years of age

- Law degree from the University of Malaya
- Master of Laws (LLM) in the United States of America & Global Business Law from the University of Suffolk, USA

Date of Appointment as Director of S P Setia Berhad:
3 March 2016

Dato' Azmi Bin Mohd Ali is the Senior Partner of Azmi & Associates, a corporate law firm with more than 75 lawyers. He is one of the leading corporate lawyers in Malaysia with expertise in the areas of mergers and acquisitions, joint ventures, cross-border transactions, project finance, privatisation, energy, oil and gas and foreign investments. Prior to venturing into private legal practice, Dato' Azmi had spent more than six years as an in-house counsel of PETRONAS. He won the prestigious International Law Office 2016 Clients Choice Award for Malaysia in Mergers & Acquisitions.

Currently, Dato' Azmi is a Director of Chemical Company of Malaysia Berhad, Seacera Group Berhad, Institute of Corporate Directors Malaysia, Financial Reporting Foundation and Terralex, second largest global network of 155 law firms with 17,000 lawyers, as well as UiTM Holdings Sdn Bhd. He is currently a member of the Appeals Committee of Bursa Malaysia Berhad. He is an Adjunct Professor of Law at the Universiti Kebangsaan Malaysia's Law Faculty and a Trustee for endowment fund for University Technology Malaysia.

Dato' Azmi had previously served as a Director of three public listed companies, namely, Sime Darby Berhad, CCM Duopharma Biotech Berhad and Cliq Energy Berhad as well as another public company, Perbadanan Nasional Berhad. He was also a Director of Universiti Malaysia Kelantan and an Adjunct Professor of Law at the International Islamic University of Malaysia.

He does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He does not have any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

>> **Key** Management Profile

MALASIAN

AGE: 64

Deputy President and Chief Operating Officer (COO) of S P Setia Berhad

DATUK WONG TUCK WAI

Date of Appointment as Deputy President and COO of S P Setia Berhad: 1 April 2016

Datuk Wong started his career in civil engineering projects with Syarikat Pembinaan Setia Sdn Bhd in 1976. He was then appointed as CEO of Setia Putrajaya Sdn Bhd in December 1999, which constructed the Prime Minister's Office, Residence and the government residential quarters in Putrajaya between the late 1990s and early 2000s. He was subsequently appointed as EVP of S P Setia Berhad in 2013 before his appointment as Acting Deputy President and COO in 2015. On 1 April 2016, he assumed the role of Deputy President and COO of S P Setia Berhad.

Datuk Wong is currently a director of Pelaburan Hartanah Nasional Berhad.

MALAYSIAN

AGE: 48

Executive Vice President (EVP) and Chief Financial Officer (CFO) of S P Setia Berhad

DATUK CHOY KAH YEW

Date of Appointment as EVP and CFO of S P Setia Berhad: 1 April 2016

Datuk Choy Kah Yew joined S P Setia Berhad in April 2014 and was designated Acting CFO effective 16 June 2014. He has more than 25 years of working experience in audit, finance and banking, starting his career with KPMG in 1990. Datuk Choy held several senior leadership and management positions at Alliance Investment Bank Berhad between 2004 and 2014. His last held position before joining S P Setia was the Head of Capital Markets of the investment bank. On 1 April 2016, he was appointed EVP and CFO of S P Setia Berhad.

His professional qualifications include membership with the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

MALAYSIAN

AGE: 57

EVP of S P Setia Berhad

DATUK KOE PENG KANG

Date of Appointment as EVP of S P Setia Berhad:
1 July 2015

Qualifications:
- BSc (Civil Engineering), University of Leeds, UK.
- MSc (Construction Management), University of Birmingham, UK.

Datuk Koe Peng Kang was appointed as EVP of S P Setia after serving the Group for 19 years. Prior to joining S P Setia, Datuk Koe was involved in various national projects including the country's rural water supply scheme, the Sungai Selangor Water Supply Scheme Phase 1 and the Petronas Twin Towers.

MALAYSIAN

AGE: 57

EVP of S P Setia Berhad

DATUK TAN HON LIM

Date of Appointment as EVP of S P Setia Berhad:
1 July 2015

Qualifications:
- BSc (Civil Engineering), Louisiana State University, USA.

Datuk Tan Hon Lim joined the Group in November 1990 and was appointed as EVP of S P Setia after serving the Group for 25 years.

Datuk Tan was involved in the Group's first property development project in Bukit Indah, Ampang and S P Setia's first township, Pusat Bandar Puchong. He currently heads the township developments including Setia Alam, Setia EcoHill and projects in Vietnam.

MALAYSIAN

AGE: 58

EVP of S P Setia Berhad

DATUK KOW CHOONG MING

Date of Appointment as EVP of S P Setia Berhad:
1 July 2015

Qualifications:
- Bachelor of Engineering in Civil Engineering, University Malaya, Malaysia.

Datuk Kow Choong Ming joined S P Setia in February 1997 as Assistant General Manager. He currently heads the Construction and Wood-based Manufacturing and Trading Divisions.

Datuk Kow is currently a director of Ecopark P2 Homeowners Berhad and Ecopark P5 Homeowners Berhad.

MALAYSIAN

AGE: 58

Chief Executive Officer (CEO) of Setia (Melbourne) Development Company Pty Ltd

DATUK CHOONG KAI WAI

Date of Appointment as CEO of Setia (Melbourne) Development Co. Pty Ltd:
1 May 2010

Qualifications:
- BSc (Hons) Mechanical Engineering, The City University London, UK.

Prior to joining S P Setia, Datuk Choong Kai Wai had over 20 years of experience in the property sector working with other developers as well as his own business.

He was instrumental in setting up S P Setia's Australian business which has grown over the past years, cementing S P Setia's presence as a formidable property developer in Australia.

MALAYSIAN

AGE: 52

EVP of S P Setia Berhad

DATUK YUSLINA MOHD YUNUS

Date of Appointment as EVP of S P Setia Berhad:
1 December 2017

Qualifications:
- Advanced Diploma in Accountancy, Institute Technology MARA, Malaysia.
- Executive Masters of Business Administration, Universiti Teknologi MARA, Malaysia.

Datuk Yuslina Mohd Yunus was the Group Managing Director for the I & P Group before assuming her role as EVP of S P Setia.

MALAYSIAN

AGE: 52

Divisional General Manager

STANLEY SAW KIM SUAN

Qualifications:
- Bachelor of Engineering (Civil), University of New South Wales, Australia.
- Master of Business Administration, Nottingham Trent University, UK.

Stanley Saw joined S P Setia as Project Manager in 1997. He assumed the role of Divisional General Manager for Property Division (South) of S P Setia on 1 May 2016.

MALAYSIAN

AGE: 55

Divisional General Manager

PAUL SOH HEE PIN

Qualifications:
- Bachelor of Engineering (Civil), University of New South Wales, Australia.

Paul Soh joined S P Setia as Senior Manager in April 1997. He assumed the role of Divisional General Manager, Niche Development Division on 1 January 2015.

MALAYSIAN

AGE: 45

Divisional General Manager

TONY LING THOU LUNG

Qualifications:
- Bachelor of Engineering (Hons) in Civil Engineering, University Science of Malaysia.
- Master of Business Administration, Universiti Malaya.

Tony Ling joined S P Setia in 2007 as Project Manager for Setia Walk. Since then he rose through the ranks to become the Head of Technical in 2012 and in 2015 was appointed General Manager, and subsequently Divisional General Manager on 1 May 2016 for KL Eco City.

MALAYSIAN

AGE: 55

Divisional General Manager

DATUK ZAINI YUSOFF

Qualifications:
- Bachelor of Science (Hons) in Civil Engineering, Memphis State University, Memphis, Tennessee, USA.

Datuk Zaini Yusoff was the General Manager for I & P Group before assuming the role as Divisional General Manager of S P Setia on 1 December 2017. Datuk Zaini brings with him more than 30 years of experience providing fiscal, strategic and operations leadership in various corporations.

MALAYSIAN

AGE: 50

Chief Human Resources Officer

NADIAH TAN ABDULLAH

Qualifications:
- BA (Hons) International Relations, Staffordshire University, UK.

Nadiah Tan Abdullah joined S P Setia on 4 October 2016 as Divisional General Manager, Group Human Resources. She has been in the Human Resource line for more than 20 years specialising in Organisational Development and Change Management with experiences from both local and global Fortune 500 companies.

MALAYSIAN

AGE: 46

Chief Risk Officer

NURANISAH MOHD ANIS

Qualifications:
- Masters of Business Administration, Universiti Teknologi MARA.
- Chartered Accountant (CA), Malaysian Institute of Accountants.
- Certification in Risk Management Assurance (CRMA), The Institute of Internal Auditors (IIA) Global.

Nuranisah Mohd Anis was appointed as the Chief Risk Officer of S P Setia on 3 April 2017. She has more than 23 years of experience in Enterprise Risk Management, Business Continuity Management, Internal and External Audit, Investment Management and Business Process Improvement covering various PLCs.

MALAYSIAN

AGE: 46

Chief Internal Auditor

JENNIFER MOK KHA WAI

Qualifications:
- Bachelor of Commerce (Accounting and Finance), University of Melbourne, Australia.
- Chartered Accountant (CA), Malaysian Institute of Accountants.

Jennifer Mok was appointed as the Chief Internal Auditor of S P Setia on 1 March 2017 and has over 23 years of experience in internal audit serving in various public listed companies since 1996. She is a member of Institute of Internal Auditor Malaysia (IIAM).

Notes:
1 None of the Senior Management hold any directorship in any public companies and listed issuers other than in S P Setia Berhad Group (except for Datuk Wong Tuck Wai and Datuk Kow Choong Ming).
2 None of the Senior Management have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad.
3 None of the Senior Management have been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him/her by the relevant regulatory bodies during the financial year.

>> Value Creation

SHAPING THE FUTURE

We truly believe that a sustainable business which is based on resilient, ethical and socially responsible practices; will deliver our core objective of providing customers with quality products and services. Our focus on business sustainability aligns with our corporate values whilst meeting investor and market expectations.

> **"Given our ability to influence the relationships between people and the spaces in which they livelearnworkplay, we remain committed to connecting communities and enabling them to thrive."**

At all times, customer-centricity is at the heart of what we do as we continuously roll out new solutions and sustainable products to suit evolving lifestyle needs. Planning for the long-term requires us to actively assess the direct and indirect sustainability risks related to our operations and continue to invest in smart technologies and innovation.

S P SETIA'S ROLE

Our responsibility to society stems from our expertise and the breadth of our impacts. As a developer, we help generate economic growth in many ways, from providing development, to employment and skills and through the taxes we pay.

In a rapidly evolving business landscape, S P Setia embraces stakeholder-centricity to ensure commercial viability without compromising the environment for future generations. Through this, S P Setia is committed to improving the economic and social well-being of its stakeholders in the execution of development projects and management of its operations. By doing so, we indirectly create investor confidence as well as uplift the lives of those in our communities.

Our ability to create value is influenced by a multitude of factors including our operating environment, response to risks and opportunities, and strategy. In this Integrated Report, we describe value creation in the context of our identified material matters and how we are managing and governing responses to them.

Value Proposition How We Sustain and Share Value

Through our developments, people, technology and know-how, our financial resources, and our positive relationships with critical stakeholders, we deliver significant results. By reinvesting this value in the capitals upon which our business depends, we maintain our capacity to create value in the long-term

Value Distributed

Profit Before Tax: RM991.0 million

Total Dividend Payout: RM587.9 million

Delivered 4,589 units of properties with a total GDV of RM4.21 billion

Distributed more than RM73.0 million since 2000 in the areas of education, general welfare and medical assistance

Impacted more than 9,300 children over the years

HOW WE CREATE VALUE

We carefully manage our inputs, which are the resources that we rely on, in order to carry out our day-to-day business activities. This way, we deliver outputs and outcomes that lead to long-term value creation. We operate our business in a social, environmental and human context from which we derive our growth strategy. We create value for a broad range of stakeholders but our business is only sustainable if we create real and meaningful value for investors, employees, government, suppliers, communities and customers – while proving that we are doing everything possible to minimise our impacts and adhere to the highest regulatory standards.

At all times, we seek to actively manage our business in ways that enhance the positive and minimise the negative outcomes of our business. This Integrated Report, references the Guiding Principles of the <IR> Framework, and our capitals have been categorised accordingly into five areas – Financial, Manufactured, Human, Social and Relationship, and Natural. We have collapsed intellectual capital into each of these categories as we are of the opinion that in order for us to truly materialise all other aspects, our innovation, creativity and institutional knowledge or what we define as institutional capital must pervade all aspects of the business.

Setia SCRIPT

At Setia, we pride ourselves in how we work based on these core values.

S — SETIA's Work Ethics
- Respect
- Support one another

C — Customers
- Serve with passion
- Responsive to needs

R — Responsibilities
- Commitment to success
- Learn & grow

I — Integrity
- Honesty
- Reliability

P — Professionalism
- Work professionally
- Continuous improvement

T — Team Setia
- Teamwork
- Embrace diversity

OUR BRAND MANTRA

STAY TOGETHER. STAY SETIA.

INPUT Our Key Resources	MANAGING INPUTS Our Fundamentals and Focus Areas	OUTPUT What We Do	IMPACT CREATED What We Achieved
FINANCIAL CAPITAL Total Assets Employed: RM29.34 billion Net Gearing Ratio: 0.49%	• Delivering shareholder returns annually. • Understanding customers and responding to changes in the market based on our ability to deliver customer driven solutions.	• Feasibility studies including property market fluctuations. • Responding to changes in the property cycle.	• Our growth and trajectory (Management Discussion and Analysis, page 52)
MANUFACTURED CAPITAL Effective remaining land banks of 9,516 acres with a GDV of RM149.70 billion 45 ongoing projects	• We are always looking for better ways to deliver on our promises by using improved products, processes and systems.	• Constantly improving our deliverables and providing value for our customers. • Delivering sustainable products including but not limited to sustainable construction methods and technologies to ensure quality and safety, whilst incorporating environmental considerations. • Client-focused, digitally-enabled ways of working.	• Complete integrated lifestyle solutions for our customers (Management Discussion and Analysis, page 52, Sustainability Statement, page 76) • Customer centricity: Exceed customer expectations to become the developer of choice (Sustainability Statement, page 76) • Quality and growth are cornerstones of all our developments (Management Discussion and Analysis, page 52, Sustainability Statement, page 76)
HUMAN CAPITAL Direct employment: Approximately 2,300 employees	• Maintaining the health and well-being of our employees. • Ensuring we have the right capabilities across the organisation.	• An engaged workforce. • Instilling a culture of togetherness. • Future-proofing the workplace through learning and development.	• Attract, develop and retain a highly skilled and talented workforce (Sustainability Statement, page 76) • Adherence to the highest safety standards (Sustainability Statement, page 76) • Over RM3.0 million invested in employee training and development (Sustainability Statement, page 76)
SOCIAL AND RELATIONSHIP CAPITAL Approximately RM0.9 million spent on various initiatives by Setia Foundation	• Stakeholder relationships. • Community development.	• Multi partnerships with different stakeholders. • Strategic programmes and activities through Setia Foundation.	• Increased alignment of standard business practices by our stakeholders (Sustainability Statement, page 76) • Contribution to community development (Sustainability Statement, page 76)

NATURAL CAPITAL	• Our impact on natural resources through our development activities and the resources we require to operate:
	  • Biodiversity management.
	  • Waste and resource management.
	  • Energy management.
	  • Water stewardship.
	  • Carbon emissions.
		• Focused resource management, data tracking and solutions-driven strategy to environmental management.	• Create shared value through sustainable environmental choices for our customers and communities (Sustainability Statement, page 76)

BUILDING TRUSTED RELATIONSHIPS

MATERIAL RISKS AND OPPORTUNITIES

We consider an issue to be material if it has the potential to substantially impact our commercial viability, our social relevance and our relationship with our stakeholders. Our material issues are informed by the expectations and concerns of our stakeholders, and the social, economic and environmental context in which we operate. They are linked to our value drivers, which direct the focus of our strategic planning and management priorities. We view the materiality determination process as a business tool that facilitates integrated thinking.

In developing our material matters, we consider both opportunities and risks. Our assessment is responsive to local and global trends to ensure that we stay competitive and relevant. Our strategy keeps us focused, setting a clear path to deliver sustainable growth, accelerated shareholder returns and ongoing value for all our stakeholders over the short, medium and long-term. The Board considers principal risks to be integral to its decision-making and to the formulation of policies.

INCORPORATING RISK FINDINGS IN OUR MATERIALITY ASSESSMENT

TOP SEVEN GROUP RISK FINDINGS	
• Performance of the Property Market Risk	• Geopolitical Risk
• Competition Risk	• Cybersecurity Risk
• Political and Regulatory Risk	• Workplace Health and Safety Risk
• Foreign Exchange (FOREX) Risk	

How we determined our material issues:

- Generated a list of material issues following a review of risks and opportunities, internal reports, external research reports and media coverage.
- Engaged with internal stakeholders to test the completeness of the list of material issues. Developed a revised list of material issues and thereafter categorised according to S P Setia's strategic value drivers.
- Assessed material issues with top management. The material matters included in this report were identified through a structured process involving top management and various other executives and senior managers.
- The final list of material matters was also endorsed by the Board and Management Committee.

MATERIAL MATTERS

MATERIAL MATTERS & RELATED SDG		IMPACT ON VALUE	HOW WE ARE RESPONDING
8 DECENT WORK AND ECONOMIC GROWTH	FINANCIAL PERFORMANCE AND GROWTH	Consideration of broader economic, social and governance principles in the context of financial performance.	Given our global footprint, we have a range of investors with diverse interests. We proactively engage with analysts and investors as well as various stakeholders to ensure two-way communication in our value creation. Financial Statements, page 138.
8 DECENT WORK AND ECONOMIC GROWTH	GOVERNANCE AND RISK	Compliance with requirements and regulations supported by governance structure and composition of the organisation.	We review our governance controls, ethics and integrity practices. We also focus on organisational diversity and development. Corporate Governance Overview Statement, page 102. Statement on Risk Management and Internal Control, page 126.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES	OUR CUSTOMERS	Understanding our customers and responding to changes in the market.	The ability to deliver customer-driven solutions is based on our relentless pursuit of customer satisfaction through more inclusive and technologically driven approaches. Management Discussion and Analysis, page 52. Sustainability Statement, page 76.
8 DECENT WORK AND ECONOMIC GROWTH	TEAM SETIA	Ensuring that we have the capability to attract and retain the best people throughout the organisation.	We invest in employee satisfaction and contribution, while also managing employee turnover rates through employee training and development, as well as diversity and inclusion strategies. We are always working towards building a strong and resilient Team Setia. Sustainability Statement, page 76.

MATERIAL MATTERS & RELATED SDG	IMPACT ON VALUE	HOW WE ARE RESPONDING
8 DECENT WORK AND ECONOMIC GROWTH — HEALTH AND SAFETY	The cornerstone of our business is the ability to ensure timely delivery with quality while safely delivering across our operations and projects.	We have a strong commitment to our people and focus on providing a safe, healthy and productive work environment. Sustainability Statement, page 76.
13 CLIMATE ACTION — OUR ENVIRONMENT	Responsible resource management.	We carefully take into consideration the risks, opportunities and impacts of our resource consumption and waste management caused by our operations. Sustainability Statement, page 76.
4 QUALITY EDUCATION — OUR COMMUNITIES	Our focus on building thriving communities underlie the success of all our developments and community efforts.	Through Setia Foundation, we are deeply involved with the community and as such, are able to meet their needs and contribute towards nation building. Sustainability Statement, page 76.

ENCOURAGING PROACTIVE ENGAGEMENT WITH KEY STAKEHOLDERS

As a leading property developer, we are aware of how our business decisions affect stakeholders, particularly local communities present in the areas in which we operate.

We have identified our key stakeholders and the issues of interest to them. These include shareholders, regulators, our employees, media, analysts, industry associations, non-governmental organisations and civil society groups. We explain to stakeholders what capitals we need to address material matters and which of the UN SDGs we contribute to or impact by addressing them.

ENGAGING STAKEHOLDERS

Our business is all about building homes and designing living environments, hence our business decisions have an impact on the lives of people from all segments of society.

WHY

We remain attentive to the needs of all our stakeholders by engaging with them on multiple fronts. We want to understand stakeholder expectations and collect feedback on every aspect of our operations. Throughout the year, we diligently consider these feedback and comments and through these encounters gain valuable input on our economic, environmental and social performance. Based on this information, we can improve our business processes and create products that our customers appreciate.

WHO

- Investors
- Shareholders
- Fund Providers
- Analysts
- Government/Regulators
- Customers
- Media
- Employees
- Suppliers/Contractors
- Local Communities

HOW

We use various channels to get in touch with different stakeholder groups: surveys, direct feedback, public dialogues and face-to-face conversations.

>> Management Discussion and Analysis

At S P Setia, the customer is at the centre of everything we strive to accomplish. Our business has grown exponentially over the past few years due to the loyalty of our customers and support from our shareholders, and we continue to drive value creation and business growth in our day-to-day operations in support of our stakeholders.

Our Global Presence

Artist impression of KL Eco City

At S P Setia, we believe in aspirations. In 1974, we started as a construction company that dared to dream when no one else believed. Since then we have been the No. 1 pure-play property developer in Malaysia by winning The Edge Malaysia Property Excellence Award for an unprecedented 11th time, with an international footprint that spans Vietnam, Australia, Singapore, China, the United Kingdom and most recently, Japan.

INTRODUCTION

In 2018, S P Setia demonstrated strong performance through the delivery of quality property developments, timeliness of execution of new and current projects and dedication and focus on customer centricity. Despite a continuously challenging global economic environment, we successfully weathered the ups and downs of the property market with our focused and resilient efforts.

It is our passion and perseverance that enables us to create homes, businesses and communities which exceed the expectations of all who livelearnworkplay there. The places we create and the people who bring life there, today and in the future, are our most precious reward.

Over the years, S P Setia has strengthened its presence in Malaysia and beyond by being an innovative, intuitive and conscientious developer that focuses on people and communities. Our team synergy and combined efforts have helped us create developments, homes and neighbourhoods that are well-loved by the communities they were built for. Guided by our "Stay Together. Stay Setia" philosophy, we have been inspired to conceptualise and build homes that are both functional and sustainable.

For us, respect for nature is an integral part of our operations. In every development we seek to achieve a balance where the built and natural environments are seamlessly connected, through both the addition of green space and the use of eco-themes. S P Setia finds strength in our solid foundation built through working together and embracing change and resilience when faced with challenges.

OUR OBJECTIVES AND STRATEGIES

The Group's core business is property development supported by construction and wood-based manufacturing activities.

CORE BUSINESS

As a leading property developer, S P Setia has established a strong local foothold in the Klang Valley, Johor Bahru and Penang, with additional presence in Kota Kinabalu. We also focused on achieving the same successes in the overseas markets where we are currently present, namely Vietnam, Australia, Singapore, China, the United Kingdom and Japan, which was added to our international portfolio in 2018.

Our developments in Malaysia are focused on four key areas, which are:

- Township developments such as:
  - Setia Alam, Setia EcoHill 1 & 2, Bandar Kinrara, Alam Impian, Alam Damai, Alam Sutera, Bandar Baru Seri Petaling and Temasya Glenmarie in Klang Valley;
  - Bukit Indah, Setia Tropika Setia Eco Gardens, Taman Rinting, Taman Pelangi and Taman Pelangi Indah in Johor; and
  - Setia Fontaines in Penang with its maiden launch of shop offices in December 2018.
- Eco-themed lifestyle developments that are centred on ecological-friendly living, currently comprising Setia Eco Park, Setia Eco Templer and Setia Eco Glades.
- Integrated developments such as the ongoing KL Eco City as well as the upcoming and strategically-located Setia Federal Hill in the heart of Bangsar.
- Niche developments such as TRIO by Setia and Setia Sky Seputeh.

Our new international projects launched in 2018, such as Marque Residences and UNO Melbourne in Australia and Daintree Residence in Singapore, are testaments to our strong foothold in these countries.

FINANCIAL PERFORMANCE

In 2018, the property industry continued to be challenging. From long-standing stringent lending guidelines to concerns of property oversupply, the subdued market was also exacerbated by a change in government regime. Due to macro uncertainties, buyers adopted a wait-and-see stance and held back on their decisions. Encouragingly, the Malaysian Budget 2019, which focuses on home ownerships, featured initiatives to help home buyers.

Despite the difficult local and global economic environments, we successfully weathered the ups and downs of the market by ensuring that the needs and wants of home buyers were met. In 2018, S P Setia achieved total sales of RM5.12 billion which was higher than our target of RM5.00 billion sales.

On 14 December 2018, we achieved a major milestone with Battersea Phase 2 Holding Company Limited signing a Sale and Purchase Agreement (SPA) with PNB-Kwasa International 2 Limited (JVCo), a joint venture company formed by Permodalan Nasional Berhad (PNB) and the Employees Provident Fund (EPF) Board. Under this agreement, PNB-Kwasa International 2 Limited is to undertake the acquisition of the commercial assets in Phase 2 of Battersea Power Station development for a base consideration of £1.58 billion, or approximately RM8.33 billion, with upward price adjustment prospect post completion and five years of operations. As S P Setia owns a 40% stake in Battersea Phase 2 Holding Company Limited, the sales value attributable to S P Setia from this transaction is £633.2 million, or approximately RM3.33 billion. If this sale is taken into consideration, it brings our total sales for FY2018 to a remarkable achievement of RM8.45 billion.

In 2018, we swiftly positioned ourselves in the market with the introduction of our 'Starter Homes series'. Homes developed under this series in Setia Alam, Setia EcoHill 2 and Setia Eco Gardens were highly sought after and very well-received, indicating that demand for well-priced well-placed landed properties remains strong. We further deployed development concepts with focus on improved accessibility, sustainable layouts, extensive utilisation of landscape, introduction of commercial mixed-use property and various other facilities to support our community.

Internationally, our Australian development project, UNO Melbourne, saw a strong positive reception, while we experienced a slower start at Daintree Residences in Singapore due to the introduction of cooling measures in the second half of 2018. Despite this temporary setback, Singapore remains an important market for the Group and we are confident that the country's property market will recover over time.

Property development remained the key driver of our operations and accounted for 92.3% of our Group's total revenue whilst construction and other operating activities accounted for 2.5% and 5.2% respectively.

In FY2018, revenue recognition was substantially from local projects as there were no completed major international projects. Furthermore, several substantially large development phases such as Phase 2A of Setia Eco Templer, Trio by Setia and Setia EcoHill 2 in Klang Valley are still in early stages of construction. Revenue from property development in 2018 was therefore lowered by 14.5%.

During the year under review, the Group achieved a profit before taxation (PBT) of RM991.0 million on the back of revenue amounting to RM3.59 billion. This is in comparison to FY2017, when a PBT of RM1.27 billion was recorded. The lower PBT registered was a result of the absence of profit recognition from the Battersea Power Station in the United Kingdom and Parque Melbourne in Australia in FY2018, as projects in the United Kingdom and Australia adhere to the policy of revenue recognition on completion. FY2017 benefited from profit recognition of international projects in the United Kingdom and Australia.

In FY2018, S P Setia successfully issued 325,000,000 ordinary shares, raising approximately RM997.8 million to fuel the development of new and ongoing projects. S P Setia's net assets per share increased from RM2.85 to RM3.03. In FY2017, S P Setia ended the year with a gearing ratio of 0.10 times, a figure which is relatively low compared to FY2018 largely due to the timing of the proceeds received from the right issue exercises at the end of FY2017, which were then intended to pay for the acquisition of I & P Group. After the consideration was paid out in January 2018, net gearing moderated upwards to 0.49 times by year end. Key contributory aspects include the additional loan of RM1.50 billion for the settlement of the purchase consideration for the acquisition of I & P Group.

Artist impression of TRIO by Setia

We have proposed a final dividend for FY2018 of 4.55 sen, which aggregated with the interim dividend of 4.00 sen, representing a total dividend of 8.55 sen. Together with the preferential dividends paid to our RCPS-i A and RCPS-i B holders, this will represent a dividend payout ratio of 70.1% based on our profit attributable to owners for FY2018. Shareholders will continue to have the opportunity to participate in the Dividend Reinvestment Plan (DRP) and receive their dividend in the form of S P Setia shares or cash. The encouraging 82.3% take-up rate for our DRPs in FY2018 reflects the commitment from our shareholders and their belief in our long-term prospects.

During the year, we successfully completed 4,589 units of properties with a total GDV of RM4.21 billion. Moving forward, S P Setia is anchored by 45 ongoing projects with a diversified range of product offerings, from townships to integrated as well as niche developments. Our effective remaining land bank of 9,516 acres has a potential GDV of RM149.70 billion as at 31 December 2018.

Performance of our current ongoing projects in Malaysia and abroad are as follows:

MALAYSIA: CENTRAL REGION

Artist impression of Careya Homes

Setia Alam

Setia Alam is S P Setia's maiden mixed-township development, spanning 2,525 acres in the Klang Valley. It remains our flagship development and many others have tried to emulate its concept. Located in the eastern part of Klang Valley, it is 38km away from the hustle and bustle of Kuala Lumpur. While it offers excellent access to the city centre, it is a self-contained and self-sustainable township. Setia Alam provides its residents with a balanced life thanks to its many public and private amenities, security, lush landscaping and an excellent mix of businesses that have made Setia Alam their foothold.

The February launch of Careya, under the Starter Homes series in Setia Alam, was well-received by the public, with homes selling out on the day of launch. The Starter Homes series has a total of 711 double-storey terraced houses spread across 43 acres with a five-acre waterway. The Careya homes, which are priced from RM585,000, comprised of 93 double-storey terraces units measuring 20-feet by 65-feet with a total GDV of RM58.0 million.

Adina, another development under the Starter Home series with a starting price of RM530,000, was similarly well-received by buyers, with more than 90% of the units sold. Adina consists of 117 units of 18-feet by 65-feet two-storey terraced houses with built-ups starting from 1,487 square feet and a total GDV of RM66.0 million.

Carisa, which was launched in May 2018, with a price upwards of RM593,000, is the most recent development in this Starter Homes series. Carisa has achieved a 100% take-up rate.

Other launches in Setia Alam include Cassina, Castana, Alista and Adeya under the Starter Homes series along with De Cendana apartments under the Rumah Selangorku programme. All of these launches achieved an average take up rate of 91% in 2018.

Total sale contribution from Setia Alam amounted to RM556.0 million. This achievement reinforces and confirms that our strategy for building quality, well-placed and well-priced products in the current market environment has been the right decision made by the leadership of S P Setia.

Setia Alaman

Our next phase of growth in Setia Alam will be spearheaded by the launch of Setia Alaman, which is a continuation of the matured township of Setia Alam. Setia Alaman will capitalise on the success of Setia Alam and has been planned for a smart and natural experience which will emulate the success of Setia Alam while continuing to uphold the holistic development concept of **livelearnworkplay**. Setia Alaman has a GDV of RM3.90 billion and will be built over 399 acres. It is expected to be completed in nine years.

Setia EcoHill 1 & 2

Coming off from a great reception of the Starter Homes series in Setia Alam, we also introduced the Amarus and Barras terrace houses in Setia EcoHill 2 with starting prices of RM478,000 and RM513,000 respectively. Similar to the success in Setia Alam, the average take-up rates for these starter homes for 2018 was 89%.

In February 2018, S P Setia together with Lafarge and The Edge Daily launched the MYHOME initiative which sought feedback from Malaysians about their ideal home with the aim of turning this feedback into reality. The initiative, which formed the basis of our future home designs, revealed that Malaysians desire terraced homes with three or more bedrooms with a size of between 1,000 to 1,999 square feet and a maximum price of RM600,000.

Launch of the MYHOME initiative

1 Artist impression of Setia Alaman park

2 Dawn @ Setia EcoHill

3 Aerial view of Club 360°

Following the enthusiastic response from the general public and taking into consideration the wants and needs of Malaysians, the Baccas double-storey homes were launched in November 2018. Baccas ticks all the boxes for prospective Malaysian homeowners: four-bedroom homes with built-ups of 1,652 square feet priced below RM600,000. Public response was also taken into consideration for our January 2019 launch in the Setia Alamsari township of the Avis 2 double-storey terraces.

In March 2018, we completed and launched Club 360°. The 360,000 square feet space will be the new epicentre of the township and home to all of Setia EcoHill's customer care operations and community events. The iconic Club 360° was built at the highest point of Setia EcoHill.

Community amenities include an international futsal arena, four badminton courts which also double as a full-size basketball court, an impressive full Olympic-length swimming facility flanked by wet and dry parks for children and a well-equipped gym. Club 360°also comes with the 30-table Sapphire Hall 1 and 2 banquet halls, which is ideal for wedding receptions, dinners, company functions and parties. An alluring rooftop venue is also available for events and leasing, offering patrons a 360-degree view of Setia EcoHill and beyond.

During the year under review, Setia EcoHill 1 & 2 contributed RM340.0 million in sales to the Group.

ONYX Gem Gardens in Setia Eco Park

Artist impression of Emma Crest

Setia Eco Park

In addition to our Starter Homes series, we launched our signature eco-themed homes in Setia Eco Park. Conceptualised in 2004, Setia Eco Park is the gem of Setia Alam, where 791 acres of land have been earmarked for luxurious living within nature's warm embrace. Eleven exclusive units of Victoria Spring bungalows with built-ups starting from 2,417 square feet were launched in February 2018. These were followed by 42 exquisitely designed Emma Crest semi-detached homes which were launched in April 2018. Finally, we offered a couple of small selection of 3,533 square feet zero lot bungalows in August 2018. The total launched GDV amounted to RM125.0 million and achieved an average take-up rate of 78%.

Setia Eco Park contributed RM161.3 million in sales to the Group.

Setia Eco Glades

Overlooking a beautiful lake and centred within a realm of amenities, we launched Isle of Botanica homes in Setia Eco Glades in August 2018. Homes on this island enclave exude verdancy and urban luxury. In conjunction with our Merdeka 318 promotion, we launched 14 units of Zeyla two-storey bungalows which has a generous size of 4,240 square feet each, 44 units of Leyana two-storey semi-detached homes with a built up of 3,140 square feet and 84 units of Atyca two-storey superlink homes starting from 2,200 square feet. With a total GDV of RM263.0 million, the development has garnered an average take up rate of 51% since its launch.

An overall achievement of RM211.0 million of sales was produced by Setia Eco Glades during the year.

1 Homes surrounding a lake in Setia Eco Glades

2 Amantara semi-detached homes in Setia Eco Templer

3 Infinity pool area at Ten Kinrara

4 Artist impression of Qaseh semi-detached homes

Setia Eco Templer

Setia Eco Templer is a 194-acre township created with a multitude of themes and concepts set amongst the majestic Bukit Takun, Templer Park and Kanching rainforest reserves. In November 2018, under the Amantara Home Collection, we launched 36 units of Samara double-storey terrace link villas, 36 units of Maya semi-detached homes and 12 units of Alila and Ayana bungalow homes. The total GDV launched was RM138.0 million and thus far, the take-up rate has been encouraging.

Setia Eco Templer contributed RM122.0 million to the Group's overall sales in 2018.

Bandar Kinrara

Bandar Kinrara is a township in Puchong which began development in 1991 and is now a matured and established township sprawled over 1,904 acres of land. A total of 14,500 homes have been built in Bandar Kinrara with a population estimated at 72,500. With an effective balance of 52.1 acres of prime land left in Bandar Kinrara, we expect the effective remaining GDV to be RM1.76 billion. Bandar Kinrara is conveniently situated within close reach of ready amenities and a multitude of highways, with links to light rail transit (LRT) making it a much sought-after address. In December 2018, we launched 32 units of the Kinrara Anggun 2 double-storey semi-detached homes with a total GDV of RM66.0 million.

In FY2018, sales derived from Bandar Kinrara amounted to an aggregate of RM266.0 million.

Temasya Glenmarie

Temasya Glenmarie is a 570-acre township which hosts residential, commercial and industrial properties. With its effective remaining 55.27 acres of land, it is expected to yield an effective GDV of RM1.92 billion by 2032. Located approximately 22km from Kuala Lumpur, it is situated next to the established neighbourhood of Subang Jaya and Petaling Jaya for a convenient urban connection. During the year, we launched 12 units of Alpine semi-detached factories, two commercial buildings and 52 units of double-storey terrace houses with a total GDV of RM224.0 million. Thus far, 25 terrace houses have been successfully sold, whilst the Alpine factories and commercial buildings, which have a starting price of approximately RM5.7 million, continue to be progressively marketed to ensure the right types of businesses complement the township.

For the year under review, Temasya Glenmarie contributed RM156.0 million to our overall sales.

Artist impression of Alpine Factories

Artist impressions of Temasya Legasi homes

Bandar Baru Seri Petaling

Bandar Baru Seri Petaling, established in 1977, is a 620-acre vibrant, self-contained suburban township with an effective nine acres left to be developed that is expected to yield a GDV of RM418.0 million. It is easily accessible from major highways such as the KL-Seremban Highway, Shah Alam Expressway (KESAS), New Pantai Expressway (NPE), Middle Ring Road 2 (MRR 2) and the KL-Putrajaya Highway (MEX). During the year, Bandar Baru Seri Petaling generated RM124.0 million in sales for the Group.

8 Petaling in Bandar Baru Seri Petaling

Completed commercial units in Bandar Baru Seri Petaling

Vibrancy of Bandar Baru Seri Petaling

KL Eco City

KL Eco City (KLEC), which is strategically situated in Bangsar, is our first integrated commercial development spanning 25 acres of prime land, offering seamless connectivity and extensive pedestrian links that connects all components of KLEC above street level. KLEC is accessible via the Federal Highway, NPE, Jalan Maarof and Jalan Bangsar and provides direct access to the Abdullah Hukum LRT and the KTM Komuter stations.

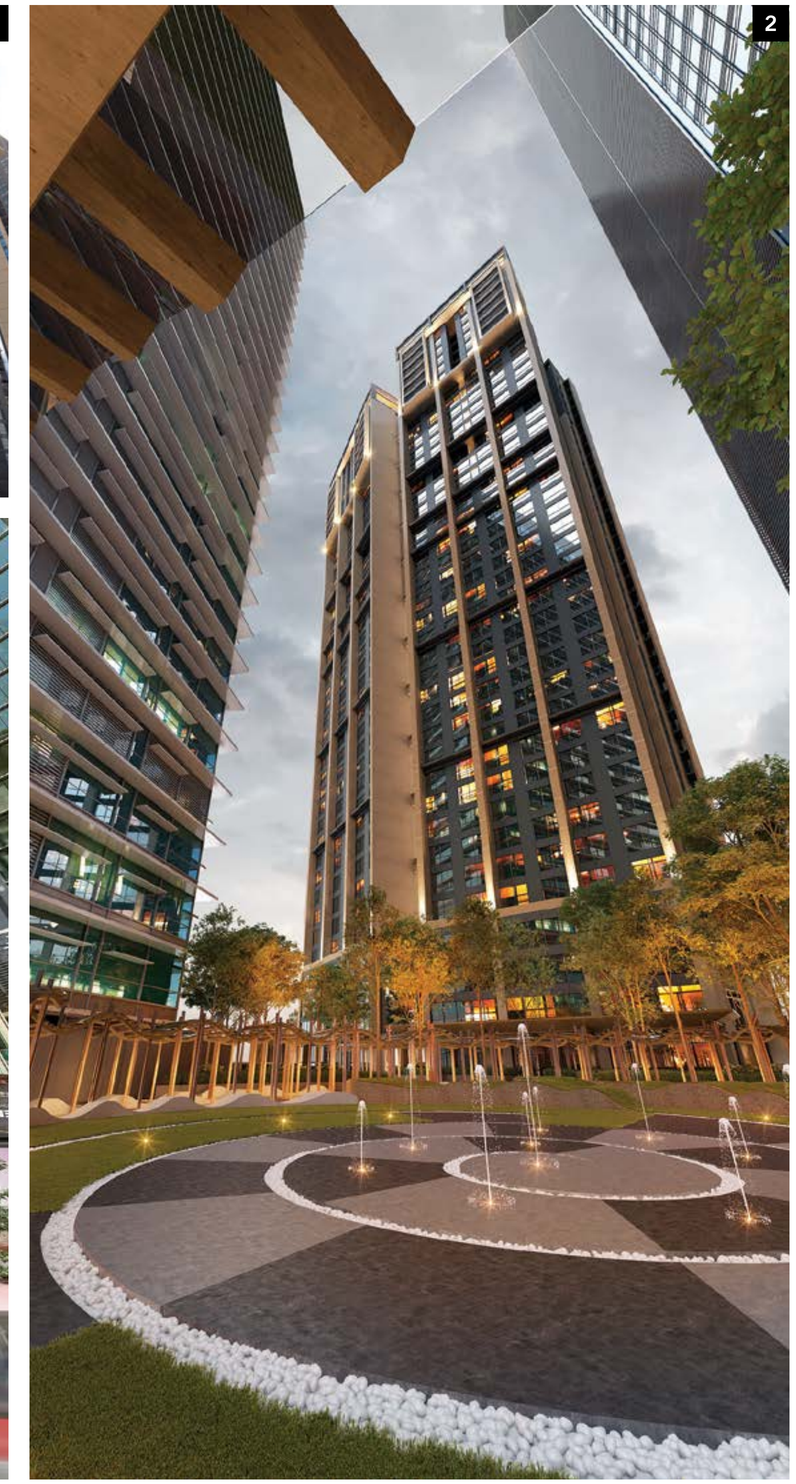
In September 2018, we launched the soft opening of the KLEC Mall. Featuring 250,000 square feet of retail space, this commercial centre provides residents, office dwellers and the public with a carefully curated selection of restaurants, specialty stores and services. KLEC Mall is anchored by Jaya Grocer supermarket and it is dubbed "Bangsar Market by Jaya Grocer". It is the largest integrated urban grocery market, occupying 54,000 square feet of space in the KLEC Mall. It is inspired by internationally renowned markets such as Camden Market and Borough Market in London and Queen Victoria Market in Melbourne.

Within the mall, 70% of floor space is occupied by a host of retail tenants; from food and beverages outlets such as Tamarind Food Hall, Old Town White Coffee and Starbucks; to tenants which cater to learning and health-related activities like Little Play House, Kubota Method, RFC Gym and Camp 5.

In June 2018, Mercu 2, a 42-storey office which boasts 544,361 square feet of net lettable area opened its doors to tenants. It features layouts starting from 3,431 square feet up to an entire floor plate of 15,197 square feet to cater to a wide spectrum of industries and corporate needs. In less than a year, Mercu 2 has been tenanted by Gibraltar BSN Life Berhad, RAM Holdings Berhad and, more recently, Samsung Malaysia Electronics (SME) Sdn Bhd amongst others.

As part of our effort to build strategic investment properties, in June 2018 we also signed on ONYX Hospitality Group to operate a 252-key hotel in KLEC under its flagship brand Amari. This will provide S P Setia with a stable earnings stream and add value to KLEC as an integrated development with various offerings including this upcoming hotel.

Official opening of Abdullah Hukum KTM Komuter Station @ KL Eco City



1 Mercu 2 @ KL Eco City

2 Artist impression of Amari Hotel, Kuala Lumpur

Retail mall within the 25-acre KL Eco City

In November 2018, we officially opened the Abdullah Hukum KTM Komuter station which further enhances connectivity to KLEC. An adjoining bridge that is expected to open soon will connect the station to KLEC Mall, The Gardens and Mid Valley Megamall, making this station an important and convenient connection for visitors. The station is also energy efficient and uses natural ventilation and LED lighting in line with the overall efficiency concept used in KLEC.

With a total of 19 ongoing projects in the Central region, the total contribution from sales amounted to RM3.04 billion.

MALAYSIA: SOUTHERN REGION

In the Johor region, S P Setia experienced stronger property sales in 2018 amid challenging conditions of the local property market. Our double-storey terrace Bellina homes in Bukit Indah were met with positive reception from buyers.

Our effective remaining landbank in the southern region is 2,327 acres. These tracts of land are strategically located within our existing matured developments and are therefore already well-connected. Tapping into these advantages, launches in the southern region during the year included shop lots and various residential homes in Taman Pelangi, Setia Indah, Setia Tropika, Bukit Indah, Setia Eco Gardens and Taman Rinting.

Sunrise @ Bukit Indah, Johor

Bukit Indah, Johor

In 2018, we launched the Bellina double-storey homes in Bukit Indah, our 1,521-acre development in Johor Bahru, with a starting price of RM700,000. The January 2018 launch with a total GDV of RM72.0 million was well-received and met with positive reception from buyers. We have since achieved a commendable 82% take-up rate.

We also launched the Zinnia double-storey homes with a total GDV of RM58.0 million. These sizeable 2,200 square feet homes, which offer buyers contemporary homes in a matured verdant township, garnered a take up rate of 80%.

Sales contribution from Bukit Indah Johor amounted to RM164.0 million.

Setia Tropika

Setia Tropika is spread across 740 acres, featuring homes with a modern outlook that is functional for family living. We launched two products in Setia Tropika during the year. In March 2018, Elata Nova double-storey homes with a GDV of RM66.0 million were launched with a starting price of RM670,000. These 93 units, which boast 1,964 square feet of space and feature functional layouts, were well-received during the launch and garnered an overall take-up rate of 83%.

Artist impression of Elata Nova

During the year, we also launched a series of choice bungalows with a GDV of RM75.0 million ranging from 6,098 square feet to 7,374 square feet, with starting prices from RM3.3 million. A total of 18 units were launched and were progressively marketed during the year.

We garnered an overall sales of RM168.0 million from Setia Tropika for 2018.

Setia Eco Gardens

Setia Eco Gardens, like many of our other developments, is a multi-award-winning township. The development is sprawled over 765 acres and strategically located to be easily accessible via a network of highways. In June 2018, we launched 15 units of bungalows and 188 units of starter homes with an aggregate GDV of RM150.0 million. Sales from Setia Eco Gardens' existing and new products contributed RM81.6 million to the Group's overall sales.

With a total of 11 ongoing projects in the Southern Region, the sales contribution amounted to RM805.0 million.

Luscious park @ Setia Eco Gardens

MALAYSIA: NORTHERN REGION

Setia Fontaines

Township development has long been S P Setia's forte, as evidenced by the many successful and award-winning townships we have developed over the years. Guided by our development philosophy of **livelearnworkplay**, Setia Fontaines will also emulate and refine the award-winning concepts demonstrated in Setia Eco Park, Setia Eco Glades and Setia Eco Templer.

Setia Fontaines, which spans 1,675 acres, will incorporate a scenic landscaped tapestry that pays tribute to Mother Nature including a 63-acre lake as well as 37 acres of park space. The green space will integrate 7.8km of canals and creeks to form islands and waterways with a nine islands and nine fountains theme inspired by cultural diversity and perfected by nature. Setia Fontaines will be the latest demonstration of our unique expertise in township developments.

Setia Fontaines will involve the development of an eco-themed mixed development, largely comprising of landed and high-rise property developments, as well as commercial components. The commercial components are targeted to consist of clubhouse, convention centre, retail food and beverages, shopping complex, college/university, office tower and hotel, which are part of the ingredients of place-making and will provide the necessary catalyst for the creation of wholesome and sustainable communities.

S P Setia plans to develop a township comprising 71% residential components with a GDV of RM9.30 billion and 29% commercial components with a GDV of RM3.75 billion. The current masterplan for Setia Fontaines will have a potential GDV of RM13.05 billion over a development period of 20 years.

As the first large-scale, eco-themed development concept in the northern region, Setia Fontaines is a highly-anticipated township. Furthermore, there is a strong underlying demand for these types of product offerings and lifestyle developments in the underserved market of mainland Penang. The initial launch of residential products will start from an affordable entry price point of RM330,000 onwards for a single-storey terraced house. These products will be competitive as discerning buyers continue to seek well-priced and well-placed homes.

The maiden launch of shop lots in Setia Fontaines with a GDV of RM90.0 million achieved a 78% take-up rate – consistent with our expectations. Moving forward in 2019, Setia Fontaines will launch its maiden residential properties priced at RM330,000 onwards, for which current enquiries are indicating positive reception. This is in line with our strategy to develop an affordable eco-themed township in the northern region for locals who are looking to upgrade from their existing homes. It is also aimed to meet market demand for well-placed and well-priced homes.

1


1 *Artist impression of Setia Fontaines*

2 *Artist impression of City Centre business hub in Setia Fontaines*

3 *Artist impression of Amari Hotel, Penang*

2


3


Setia SPICE

In June 2018, we signed on ONYX Hospitality Group to operate a 453-key hotel in Setia SPICE under its flagship brand, Amari. This hotel will complement SPICE Arena and SPICE Convention Centre which have a combined capacity of 16,000 visitors. The hotel will also provide essentials such as accommodation, food and beverage services and other primary facilities to support activities within the area surrounding Setia SPICE.

The total sales contribution from the Northern region amounted to RM198.0 million.

INTERNATIONAL: AUSTRALIA

The Group managed to stretch our 2018 sales target for S P Setia's Australian projects to achieve RM775.0 million in sales from four ongoing projects despite a perceived problem of oversupply and tighter lending conditions in Australia. The highlight of the year was the January 2018 launch of UNO Melbourne, S P Setia's latest property project in Melbourne's Central Business District (CBD) following the successful launches of Fulton Lane, Parque, Maison Carnegie, Marque Residences and Sapphire by the Gardens.

The project, located along A'Beckett Street in Melbourne's CBD, comprises 473 apartments and 256 hotel rooms. Sales of the apartments have been encouraging and stood at 76% at the end of 2018. The construction of the 65-storey mixed-use development with a combined GDV of A$518.0 million (RM1.60 billion), began in the third quarter of 2018 and is due to be completed in 2021.

In October 2018, S P Setia also broke ground for the construction of Sapphire by the Gardens, consisting of a 347-unit residential tower and the 500-room Shangri-La Hotel. Shangri-La Melbourne is expected to receive its first guests in 2022. This important milestone makes S P Setia the first developer to successfully co-brand with Shangri-La for a development and marks Shangri-La's first foray into Melbourne through Sapphire by the Gardens.

1 Artist impression of UNO Melbourne

2 Artist impression of Battersea Power Station

3 Construction of the Battersea Power Station development

4 Vibrancy of Battersea Power Station

INTERNATIONAL: THE UNITED KINGDOM

Our commitment in the United Kingdom, the Battersea Power Station development, covers 42 acres of land and includes 3.5 million square feet of mixed commercial space along with 4,364 new homes across seven main phases. Phase 1 (Circus West) which was completed and handed over in 2017, now has over 1,000 residents moved in and over 18 restaurants, eateries and cafes in full scale operation, and leisure venues that are now open. Phase 2 (the iconic Power Station Building) and Phase 3A (the first element of the Electric Boulevard high street) are progressing well and remain on track to deliver stage completion from late 2020 to 2021, with the development also expected to benefit from the opening of the Northern Line underground extension in 2021.

Towards the end of the financial year, PNB and EPF jointly acquired the commercial properties in Phase 2 of the development for a base price of GBP1.58 billion (approximately RM8.33 billion, with upward price adjustment prospect post completion and five years of operation). Phase 2 is housed in the iconic Power Station Building which is currently undergoing restoration and development. It is expected to be completed in 2021.

The commercial space comprises 531,000 square feet of Grade A offices and 475,500 square feet of retail, food and beverage and leisure space. Thus far, all of the available office space has been leased to Apple Inc for its new London Campus (490,000 square feet) and No. 18, a business member club/co-working brand of IWG (41,000 square feet).

News > Business > Business News

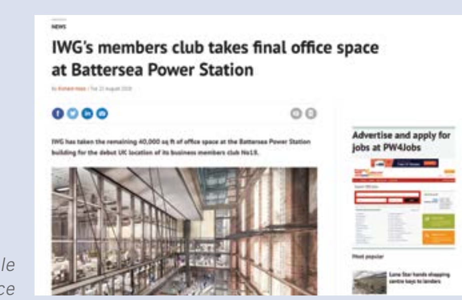
Apple to move London HQ to Battersea Power Station

Apple will account for 40% of the development's total office space

Zlata Rodionova | Wednesday 28 September 2016 14:40 |

Apple Inc taking most of Battersea Power Station's Phase 2 office space

Battersea powers London's revival



NEWS

IWG's members club takes final office space at Battersea Power Station

IWG has taken the remaining 40,000 sq ft of office space at the Battersea Power Station building for the debut UK location of its business members club No18.

Advertise and apply for jobs at PW4Jobs

IWG taking up the remaining lettable area of the Battersea office space

INTERNATIONAL: VIETNAM

The Vietnamese economy has been forecasted to grow at a rate of 6.6%* in 2019. Foreign demand for properties is picking up as Chinese manufacturers begin to shift production to more cost-effective locations, joining the Japanese, South Korean and Taiwanese manufacturers who have already invested in Vietnam. Residential properties with good amenities continue to be sought after by expatriates working in Vietnam.

In 2018, our developments, namely EcoXuan and EcoLakes, were welcomed with renewed interest from buyers. We managed to clear all completed inventory in Vietnam. Furthermore, our launches of shop lots and terraced houses with a total GDV of RM83.0 million were well received and achieved a 99% take-up rate. This renewed interest in our products in Vietnam gives us confidence that our future in the country will be sustainable.

INTERNATIONAL: JAPAN

2018 marked S P Setia's foray into Japan via the Izumisano City Center development in the city of Osaka, with a total GDV of RM1.88 billion. The prospects for this project are bright with its close proximity to the Kansai International Airport and Rinku Premium Outlet. The five-acre development will mark S P Setia's foray into a new market, leveraging on our strong home clientele base support.

*Source: worldbank.org

Artist impression of shop lots in EcoXuan

Artist impression of the Izumisano City Center development

Location of the Izumisano City Center development

Artist impression of Daintree Residence

Osaka forms one of the three largest economic zones in Japan and has demonstrated steady economic growth over the past four years. Additionally, Osaka was named the third most-booked city in the world by property rental company Airbnb in 2017. We are confident in the potential that Izumisano City Center development will create for S P Setia, which may pave the way for a larger foothold in Japan in the future.

INTERNATIONAL: SINGAPORE

Coming off two successful developments in Singapore, Daintree Residence, was launched in July 2018. It is our third and most impressive development in the country, Daintree Residence is the result of the successful Toh Tuck land bid from the Singaporean government in April 2017 for SGD265.0 million. The development, with a GDV of SGD485.0 million, comprises of 327 luxurious apartments which will enjoy choice amenities within walking distance of Beauty World MRT station. Daintree Residence is also easily accessible via the Pan Island Expressway (PIE) and Bukit Timah Expressway (BKE).

Artist impression of Daintree Residence

This low-rise, five-storey condominium is an architectural masterpiece, offering residents unique enjoyment of a scenic valley, enchanting rainforest and a 35,000 square feet treetop walk experience. Providing a bespoke sanctuary for discerning residents, the development continues to showcase S P Setia's strength in eco-themed developments befitted with modern resort-style facilities and thematic landscaping. Daintree Residences contributed a respectable RM178.0 million in sales for 2018 against a backdrop of further cooling measures by the government, especially with the further increase in additional buyer stamp duties and lower loan-to-value ratios.

Total international sales contribution was RM1.00 billion for 2018.

Artist impression of Setia Federal Hill

Highlights of our upcoming new projects are as follows:

Setia Federal Hill

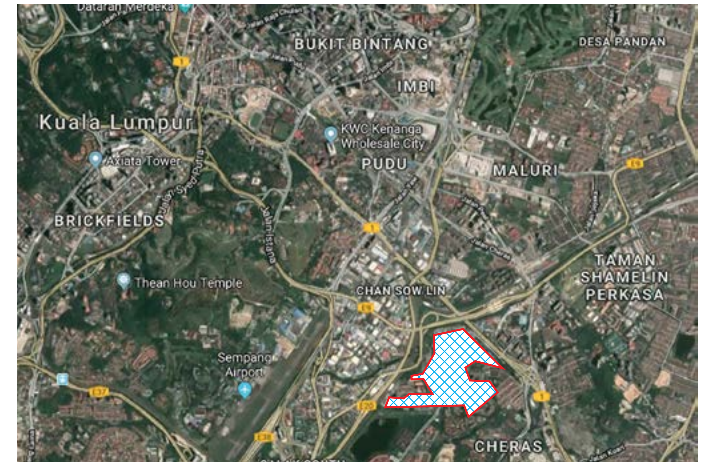
Setia Federal Hill will be a 52-acre integrated development situated in the heart of Bangsar. Located approximately 4km from the Kuala Lumpur City Centre (KLCC), it fronts Jalan Bangsar and is in close proximity to KL Sentral. Setia Federal Hill will become Bangsar's iconic mixed-used development, forming an unparalleled and unified ecosystem of urban living and commerce. The development is envisioned with three neighbourhoods, namely Downtown, Midtown and The Village, each with the ability to stand alone as a single development with its own defining characteristics and distinct architectural features.

Previously a joint venture, in April 2018 we acquired the remaining 50% equity interest in the project making it a wholly-owned project with a potential GDV of approximately RM20.20 billion to be developed over 20 years. We expect that the acquisition will further support and strengthen the strategic development objectives and enhance the value of the Group.

Artist impression of QSPH integrated with our future development

Redevelopment of Taman Ikan Emas in Cheras, Kuala Lumpur

In May 2018, we embarked on a public-private strategic partnership development with DBKL whereby S P Setia's 50%-owned Retro Highland Sdn Bhd entered into a privatisation with DBKL to construct 3,971 units of quality sustainable people housing (QSPH) together with shops, a market and other quality and sustainable public facilities in exchange for 52.25 acres of leasehold land in Cheras. The land is situated southeast of Chan Sow Lin in Kuala Lumpur and east of the Cheras LRT Station. It is approximately 8km from Kuala Lumpur City Centre (KLCC) and is located alongside Jalan Loke Yew.



52.25 acres of prime land in Kuala Lumpur in exchange for the construction of QPSH for DBKL

The 52.25 acres of land will be used for a mixed-development project with a GDV of RM11.00 billion to be developed over a period of 11 years. The proposed development, being strategically located in Kuala Lumpur, is expected to contribute positively to our future earnings in the medium and long-term.

FUTURE PROSPECTS

For the coming 12 months, S P Setia will strive to achieve its sales target and increase customer satisfaction. With over 9,000 acres of land banks, our priority will be to capitalise on the existing land banks and uplift the level of activities of I & P projects. We aim to leverage our sizeable land banks by continuously building landed properties that cater to public needs in our existing established townships as well as focus on high-demand, transit-oriented developments. With these goals in mind, we are heartened to note that we have the support of our Team Setia, which is now bigger, better and even more resourceful following the acquisition of I & P Group in 2017.

For 2019, the World Bank has forecasted the Malaysian economy to grow at a rate of 4.7%. Malaysia's near-term growth is projected to remain strong with sound economic fundamentals. Household spending, which remains the primary driver of Malaysia's economic growth, is projected to be resilient over the year due to improved sentiment and new housing policy measures.

For 2019, we have set a sales target of RM5.65 billion, comprising of 89% or RM5.00 billion in domestic sales, and 11% or RM646.0 million in international sales. Our plan is to leverage on S P Setia's established townships and roll out more mid-priced landed properties where demand has proven to be strong. We are encouraged by the general market conditions and the government's initiatives to promote home ownership for first-time home buyers, which are very much in line with the Group's strategy of launching our Starter Home series.

In doing so, we will continue to optimise Bandar Kinrara, Kota Bayuemas, Bandar Baru Seri Petaling, Alam Damai, Alam Sutera, Temasya Glenmarie and Alam Impian with the right product size and pricing to suit market conditions. Our focus is on revitalising and uplifting these developments with enhanced landscaping and environment to improve the look and feel of town centres, increase accessibility and connectivity and reinforce branding for better sales proposition.

S P Setia's emphasis on using the Industrialised Building System (IBS) in production and construction has resulted in more efficient solutions and product development. Moving forward, our workforce and productivity pipeline will be enhanced through the further usage of IBS. With components manufactured in a controlled environment, IBS brings significant improvements to the sustainability of construction through better control of the production process, minimised construction waste as well as improved energy efficiency.

Efforts will also be made to build a stable earnings stream by expanding our portfolio of high-value integrated commercial developments and building strategic investment properties. The Group has three hospitality assets under construction, namely KLEC Hotel (252-keys) in Bangsar and SPICE Hotel (453-keys) in Penang, to be operated as Amari Hotels, as well as Shangri-La Melbourne (500-keys) at Sapphire by the Gardens, Melbourne.

Underpinned by an unbilled sales pipeline of RM12.32 billion, 45 ongoing projects and effective remaining land banks of 9,516 acres with a GDV of RM149.70 billion as at 31 December 2018, the Group is expected to perform resiliently against prevailing market challenges and the prospects going forward remain bright.

>> **Group** Financial Summary

Group Five-Year Summary

Year Ended (RM' million)	31 December 2018	31 December 2017	31 December 2016	31 December 2015#	31 October 2014
	← As per respective years' audited financial statements →				
Revenue	**3,594**	4,520	4,957	6,746	3,810
Gross Profit	**1,092**	1,514	1,441	2,063	1,108
Profit Before Tax	**991**	1,271	1,185	1,426	722
Profit After Tax	**798**	1,069	899	1,011	517
Profit Attributable to Owners of the Company	**671**	933	808	918	406
Share Capital	**8,252**	6,694	2,140	1,971	1,904
Share Capital - RCPS-i A	**1,087**	1,119	11	-	-
Share Capital - RCPS-i B	**1,045**	1,065	-	-	-
Equity Attributable to Owners of the Company	**14,144**	11,944	9,201	7,395	5,859
Total Assets Employed	**29,337**	27,724	18,690	16,423	13,108
Total Net Tangible Assets	**15,505**	13,783	10,231	8,385	5,758
Earnings Per Share (sen)	**14.8**	26.8	29.8	35.7	16.3
Dividend Per Share (sen)	**8.55**	15.5	20.0	23.0	9.7
Net Assets Per Share Attributable to Owners of the Company (RM)	**3.03**	2.85	2.83	2.81	2.31
Return On Equity (%)	**4.7**	7.8	9.9^	12.4	6.9
Net Gearing Ratio (times)	**0.49**	0.10	0.16	0.18	0.29
Dividend Payout Ratio (%)	**70.1**	70.1	70.5	65.8	60.5
Share Price - High (RM)	**3.47**	4.38	3.56	3.58	3.65
Low (RM)	**1.93**	3.04	2.80	2.99	2.75

FY2015 represents 14 months period financial results

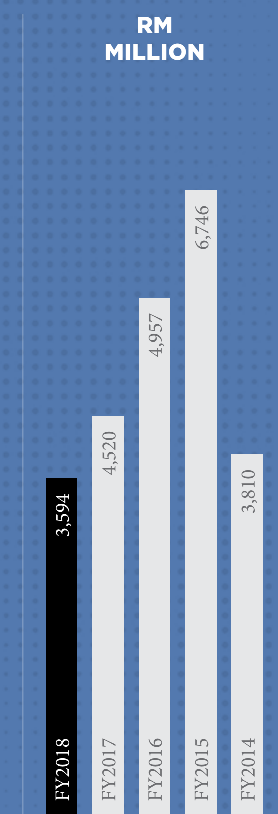
^ *After accounted for the weighted average effect of the timing of issuance of RCPS-i A on 2 December 2016*

Revenue

(RM' million)

FY2018

3,594



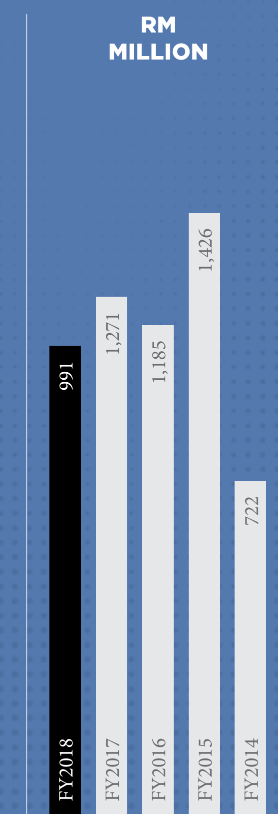
1	**FY2018**	**3,594**
2	FY2017	4,520
3	FY2016	4,957
4	FY2015	6,746
5	FY2014	3,810

Profit Before Tax

(RM' million)

FY2018

991



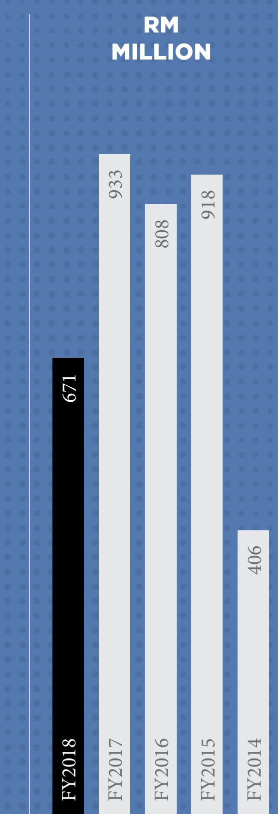
1	**FY2018**	**991**
2	FY2017	1,271
3	FY2016	1,185
4	FY2015	1,426
5	FY2014	722

Profit Attributable to Owners of the Company

(RM' million)

FY2018

671



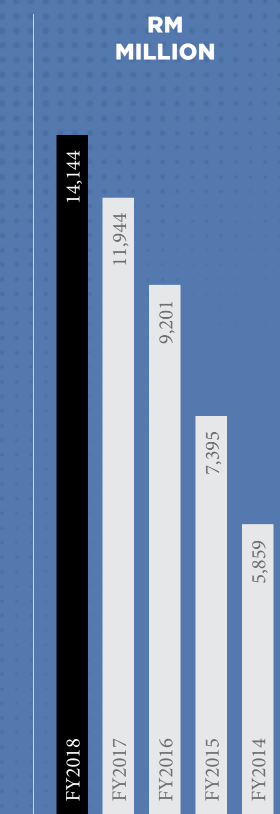
1	**FY2018**	**671**
2	FY2017	933
3	FY2016	808
4	FY2015	918
5	FY2014	406

Equity Attributable to Owners of the Company

(RM' million)

FY2018

14,144



1	**FY2018**	**14,144**
2	FY2017	11,944
3	FY2016	9,201
4	FY2015	7,395
5	FY2014	5,859

>> **Sustainability** Statement

INTRODUCTION

At S P Setia, we create communities by shaping the built environment according to the latest trends in design and technology, as well as focusing on sustainability. Re-imagining the built economy provides us with a unique position from which to establish better cities and lifestyles. This is a challenge we embrace as part of our efforts to meet the needs of our community.

Our sustainability commitment is fuelled by our *raison d'etre* — to be inclusive and integrated. This approach resonates with our **livelearnworkplay** development philosophy and demonstrates that sustainability truly is part of business as usual for us.

Sphere of Influence — Defining Our Reporting Boundaries

As township developers, we create long-term impact in the communities we work with. For this reason, our reporting boundaries stretch beyond the initial design and construction of our developments. In addition to the aspects of our value chain which we oversee directly, we also take into consideration the wider impact of our sphere of influence, including our supply chain and communities.

The properties of S P Setia are designed to include efficient use of energy, water and other resources. As a result, the careful planning ultimately creates positive impact for the climate and natural environment even after vacant possession. Our townships and developments have not only stood the test of time but continue to thrive and evolve with the needs of our communities in a manner that underscores our commitment to sustainability.

VALUE CHAIN

1 **Design**
Quality, facilities, connectivity, environmental impact

2 **Construction**
Suppliers, methods, materials, technology

3 **Customer Relationship**
Engagement, data, communication

4 **Living**
Affordability, better and greener lifestyle, safety

1


2


3

1 KL Eco City: a transit-oriented development

2 Heritage trees surrounding the vicinity of Parque, Melbourne

3 Team Setia at the 'Setia Game On' annual dinner

GOVERNANCE

Ethical Conduct

Promoting high ethical standards and good governance throughout our sphere of influence is a fundamental aspect of our business. Code of Conduct related to activities and ethics training were a compulsory component of our on-boarding programmes for new hires in 2018.

For information on Governance and Ethics, please refer to the Corporate Governance Overview Statement on page 102 of this Integrated Report 2018.

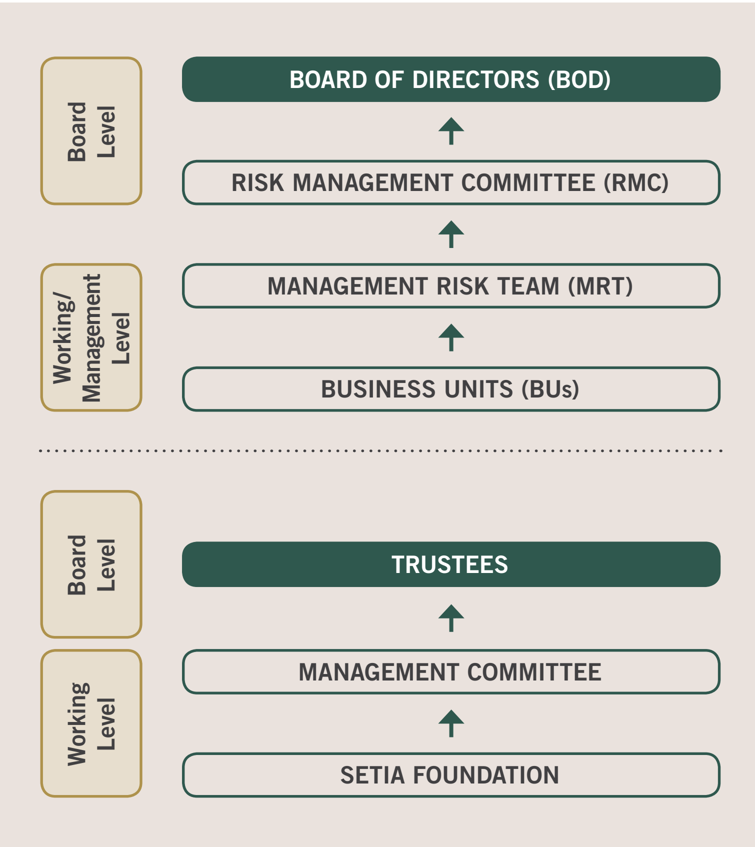
Community Consultation

Effective community engagement is a business priority for S P Setia. Understanding community needs through consultation efforts – dialogue, meeting and open channels – is our way of ensuring that stakeholder needs are incorporated into our decision-making. Key employees are trained to manage and address local needs and requests through proper channels to ensure effective consultation during all project stages, from the pre-construction to the delivery stage.

Sustainability Governance at S P Setia

We believe high standards of corporate governance form a strong basis for safeguarding shareholders' interests. By being responsive and transparent in our business practices, we can demonstrate our accountability and ensure long-term business growth. We also continue to act as early adopters of new regulations, best practices, policies and procedures throughout our operations.

S P Setia's sustainability management is under the purview of our Management Risk Team (MRT), which consists of members of the Group's Senior Management. The MRT is supported by the Business Units (BUs) who, guided by the MRT, focus on operational risks and monitoring the progress of our economic, environment and social (EES) activities. The MRT deliberates on material matters relating to economic, environmental and social risks as well as new opportunities on a quarterly basis and keeps the Board updated on these issues.



For detailed disclosure on our risk management framework and practices, please refer to the Statement on Risk Management and Internal Control on page 126 of this Integrated Report 2018.

For detailed disclosure on our corporate governance framework and practices, please refer to the Corporate Governance Overview Statement on page 102 of this Integrated Report 2018.

Setia Foundation supports our community engagement efforts. Established in 2000 to spearhead Group-wide initiatives on educating and assisting the less fortunate, the Foundation is steered by the Management Committee comprising of the CEO, COO and CFO. The Board of Trustees determines the overall direction for the Foundation's activities and initiatives.

What Matters to Stakeholders

Urbanisation

The rapid growth of urban areas is seeing capital cities in Malaysia and our key markets evolve quickly. This means that it is crucial for us to work in consultation and partnership with various stakeholders including local governments and councils, community groups and regulators.

To see what we are doing, please refer to page 79.

Property Market Fluctuations

S P Setia's business is impacted by trends in the property market in the countries in which we operate. Population growth, domestic and global economies, and government regulations affect market trajectories. We are focused on responding to changes in the property cycle appropriately, while prudently managing our business risks.

Demand for housing in urban areas has pushed the housing supply to a point of unaffordability for middle income earners. Our strength is in supplying a range of products that meet the varying needs of customers while providing support through development of low-cost housing.

To see what we are doing, please refer to page 80-81.

Trust and Ethical Relationships

There is an expectation for S P Setia to be a force for good. As a leading player in the property development industry, we are in a position of trust. To this end, we emphasise governance and controls, supported by transparency and accountability in all our activities. At heart, our commitment is to consistently maintain open dialogue and honest communication.

To see what we are doing, please refer to page 77-78.

Technology Shift

Technology has transformed our processes and systems across our entire value chain, including design, construction, customer management and township living. Business and working environments are evolving in tandem with technological changes and at S P Setia, we are responding accordingly to future-proof our organisation so that we might continuously operate under shifting technological conditions.

To see what we are doing, please refer to page 82.

Climate Change

Global climate change has direct impacts on our value chain, and therefore our stakeholders. Our climate change considerations involve baselining, assessing impact, taking accurate measurements and setting targets. We recognise the need for accuracy and transparency in reporting on climate change initiatives and intend to align future reporting with the recommendations of the Task Force for Climate Related Financial Disclosures.

To see what we are doing, please refer to page 84-90.

ECONOMIC

SDG:

OUR INTEGRATED TOWNSHIPS

S P Setia's townships cater to people from all walks of life. We believe in creating liveable neighbourhoods that have seamless transportation links and every day services readily available. These elements are also important building blocks of eco-friendly townships.

By creating various amenities and infrastructure, we create value for our customers. Constructing homes and commercial developments provides employment and benefits for the local economies years before the project starts and long after it is finished. Enhancing transportation links not only impacts ease of living and doing business in our township areas, but also to invigorate the economy in the area.

SPOTLIGHT

KLEC – Abdullah Hukum Rail Transit

KLEC is a thriving business and lifestyle hub supported by efficient public transportation and internal road systems. Spanning over an area of 25 acres in an established neighbourhood, the integrated development has been designed to function seamlessly for convenience, safety and energy-efficiency. The latest developments in infrastructure and facilities have made KLEC more attractive for economic activity and have created new employment opportunities for local residents.

The Abdullah Hukum rail transit in KLEC officially opened in November 2018. The station is an example of our focus in developing infrastructure for urban centres, facilitating connectivity and contributing to fewer cars on the road. The Abdullah Hukum rail transit is designed with energy-saving solutions, such as natural ventilation and LED lights, in line with KLEC's design concept.

Abdullah Hukum Heritage Home

The Abdullah Hukum Heritage Home is a key feature of KLEC and serves to honour the heritage of the settlement from which the township grew. The 100-year old building was once home to Haji Abdullah Hukum, an important community leader and founder of Kampung Haji Abdullah Hukum. During the development of KLEC at the site of the former kampung, the traditional timber structure was carefully disassembled for restoration and ultimate reassembled at the township's plaza.

S P Setia's commitment to the preservation of the Abdullah Hukum Heritage Home marks the deep respect we hold for the area's history. By reinstating the home as a key feature of the development, we hope to ensure that the culture and heritage of Kuala Lumpur's earliest settlements continue to be celebrated by future generations. As a symbol of the shared history of the area, the Heritage Home will help foster a sense of identity and community within the township.

Aeropod Flyovers

Aeropod is the largest integrated linear city in Kota Kinabalu spanning over 60 acres of land. Featuring versatile office spaces, a 300,000 square feet lifestyle retail mall, world-class hotels, serviced apartments, luxury residential towers and a modern railway station, it has 3.8 million square feet of gross floor area.

The project embraces S P Setia's development philosophy of livelearnworkplay and is expected to become a major tourist attraction due to its connectivity as a railway hub and close proximity to the international airport. As part of our focus on connectivity, two flyovers (841m and 318m respectively) now provide easy and safe access to Kota Kinabalu City Centre and Kota Kinabalu International Airport.

The Aeropod flyovers provide added value to the buyers of Aeropod Commercial Square (Phase 2a). It has brought about much anticipated improvement to the connectivity of the development site with a strategic location in the city. The flyovers pave the way for Aeropod to achieve its full development potential with remaining parcels yet to be launched.

Road Widening at Persiaran Setia Alam

Bandar Setia Alam is a township that occupies an area of approximately 2,525 acres located in Shah Alam, Selangor, Malaysia. Residential housing is the main focus of Bandar Setia Alam, with close to 44,000 units planned and expected to support a population of 200,000 by 2020. The development requires direct access for smooth traffic flow, via a connection to the Setia Alam Highway (or Persiaran Setia Alam), a major highway in Selangor, and a main route to New Klang Valley Expressway (NKVE) via the Setia Alam Interchange. The planned widening of Persiaran Setia Alam stretches for 3km from the Setia Alam Timur Interchange to Jalan Meru. Known as a busy road, especially during peak hours, the road widening will also benefit surrounding communities in Meru and Kapar who use the connection to reach Kuala Lumpur.

EcoHill 2 Link

Investments in infrastructure are in line with S P Setia's livelearnworkplay development philosophy. In 2018, we officially launched the 5.2km dual two-lane EcoHill 2 Link, connecting Jalan Semenyih and the Kajang-Seremban Expressway (LEKAS). We expect the link to rejuvenate the entire area and catalyse economic growth.

The costs for constructing the new link and improving the existing infrastructure was approximately RM80.0 million. The new link reduces travel time from Beranang to the LEKAS Semenyih Interchange from 30 minutes to a mere 10 minutes. With the completion of EcoHill 2 Link, the public will also have easy access to two new parks in Setia EcoHill 2 – the 17-acre South Creek and the 18-acre Adventure Park.

INCLUSIVE HOME OWNERSHIP

The housing market continues to demonstrate pockets of mismatched pricing, location and concept, with Klang Valley experiencing ongoing issues of unsold property units due to discrepancies between existing and new supply compared to demand from prospective home buyers. Our Setia Starter Home series are meant for both first-time buyers and those looking to upgrade to a freehold landed residence.

The need for inclusive home ownership is demonstrated by our Bandar Setia Alam Careya terraced houses, which were sold out on the very same day that they were launched in January 2018. To facilitate homeownership, S P Setia provided a 36-month Easy Payment Plan which absorbs the interest cost during this period. With housing loan approvals more difficult to secure than before, through the Setia Express Advance Loan (SEAL), we have been able to further incentivise first-time home owners. The scheme grants up to 30% of the property price as a loan and payments are deferred for five years. The buyer can then choose to either pay back the loan in installments or as a lump sum upon the expiry of the five-year period.

Apart from supporting home ownership via financial schemes, the starter homes have been designed with inclusivity in mind. The design takes into account the needs of different people, by accommodating space for future additions. In Careya, every home comes with an eight-foot backyard prepped for future renovation and extension works that serves as an outdoor drying area in the meantime. The next phase of the Starter Homes series called Adeya was launched late 2018 in the northern locality of Setia Alam.

The easy home ownership scheme, HouzKey, is another product to make our houses more inclusive and accessible to diverse age groups and backgrounds. This digital bank-initiated rent-to-own scheme allows a tenant to rent a home for 12 months, after which they have the option to purchase the home at the pre-agreed price. At Setia EcoHill, incentives offered to those signing up include a low rental scheme for the first three years, 0% easy payment installment scheme for three months rental deposit as well as a free one-year clubhouse membership at the newly opened Club 360˚. Our first rent-to-own scheme launched together with the Gloris double-storey superlink homes at Setia EcoHill township early 2018 was well-received by buyers.

The provision of support schemes such as rent-to-own to new homeowners gives S P Setia a competitive advantage and make our products more accessible to as many buyers as possible.

SPOTLIGHT: CUSTOMERS OF TODAY

What We Learnt from the MYHOME Survey

To ensure the uptake of new developments, we are always looking for better approaches to meet customers needs. We are now involving the public and potential customers in the design of our homes and developments. This way, customers will have a sense of ownership over the design process and we can create homes that are reflective of current needs. In 2018, together with Lafarge-Edgeprop, we piloted a nationwide MYHOME survey asking Malaysians what their ideal home looked like.

According to the results of the MYHOME survey, one of the most important optional spaces that Malaysians want with their homes is a garden, while the amenities within the community that are most preferred included jogging trails, children's playground and swimming pool.

The MYHOME initiative culminated with the completion of a model house representing the home that Malaysians co-created. To translate these community housing needs into actual housing stock, S P Setia offered 68 units of this "ideal" home, now named the Baccas Collection at Semenyih, for sale. The Baccas homes to be built by S P Setia will be within walking distance to a Community Garden and also close to other facilities such as the clubhouse Club 360˚, the 17-acre South Creek, the 18-acre Adventure Park as well as Setia Commerce Square. Additionally, owners will be able to enjoy a designated pocket garden that sits immediately next to the project.

In addition to Baccas, the Avis 2 double-storey terraced homes at Setia Alamsari in Bangi are also inspired by the results from the MYHOME survey. With these development, S P Setia has met with current evolving housing and lifestyle needs of Malaysians.

REDEFINING AFFORDABLE HOUSING

Lack of affordable housing and increasing cost of living are issues recognised by the Malaysian government. We want to be a part of the solution and offer housing options for people of varying life stages, ages, and budgets.

For us, diversity and inclusion are key components of sustainable community building. We build for a diverse society: different life stages, ages and budgets. One of our focus areas is to provide affordable housing for families in urban areas. Rising living costs is a growing trend in most cities, and as a responsible developer, we want to ensure that we do our utmost best in offering quality housing and accessible purchasing terms for different customer segments.

At S P Setia, we believe that even homebuyers from medium to low-income groups can fulfil their aspirations for quality products and enjoy good returns on their investment. We have been able to redefine the perception of affordable housing with award-winning apartments such as Seri Mutiara and Seri Kasturi; by focusing on planning, design and pre-fabricated construction.

By utilising IBS, we are able to cut down on our construction and labour. While a major consideration in building affordable housing is efficiency in terms of cost and timing, we do not compromise on the quality of the finished product, affordability of the purchase price or rental as well as energy efficiency and accessibility to surrounding amenities.

In 2018, S P Setia supported the government's aim of providing affordable housing schemes through PPA1M and Rumah Selangorku and Rumah Mampu Milik Johor. These schemes are a part of the government's social initiatives and is expected to continue.

Seri Mutiara Apartment, Setia Alam

DELIVERING QUALITY PRODUCTS

We develop sustainable townships that take into account the needs of both residents and the environment. For us, quality means the best materials, sound workmanship and positive customer service experience. We strive to meet customer expectations in both our services and products.

Using the Industrialised Building System

IBS uses precast elements manufactured in factories that are transported to construction sites. IBS brings significant improvements to construction through better control of the production environment, minimising construction waste, improving energy-efficiency and stabilising work conditions.

S P Setia's emphasis on using IBS in production and construction has resulted in efficient solutions for building affordable apartments. Setia Precast Sdn Bhd, our wholly-owned subsidiary, manufactures structural components such as precast columns, beams, walls and staircases.

IBS components are manufactured in a controlled environment. Therefore, it is much easier to monitor the quality. By using IBS in our affordable housing developments, we have managed to increase the efficiency of our construction and assembly processes and improved timeliness in project completion and handover. Using IBS has resulted in as little as 4.5% wastage of steel and 1% wastage of concrete, compared to 8-10% and 5-8% respectively when using conventional methods.

Developments that featured IBS extensively in 2018:

- De Palma (Rumah Selangorku) in Setia Alam, Selangor
- De Kiara (Rumah Selangorku) in Setia Alam, Selangor
- De Bayu (Rumah Selangorku) in Setia Alam, Selangor
- De Cendana (Rumah Selangorku) in Setia Alam, Selangor
- D'Kristal (Rumah Selangorku) in Semenyih, Selangor
- D'Cerrum (Medium Cost Apartment) in Semenyih, Selangor
- D'Cassia (Medium Cost Apartment) in Semenyih, Selangor
- D'Camelia (Medium Cost Apartment) in Semenyih, Selangor
- Bahagian Pengurusan Hartanah (BPH) Government Quarters in Bangsar, Kuala Lumpur

In Singapore, we used the prefinished precast volumetric construction (PPVC) method that is the equivalent of IBS to construct Daintree Residence. PPVC uses technology that facilitates off-site manufacturing to fabricate modules made up of multiple units complete with internal finishes, fixtures and fittings. These are then transported to site for installation in a Lego-like manner. In the hierarchy of Design for Manufacture and Assembly methodologies, PPVC is one of the most efficient and complete principles in improving productivity. Through off-site manufacturing, the manpower and time needed to construct buildings are reduced. Our use of this practice in Singapore is also in support of the government's drive to increase the use of PPVC in development.

As part of our digitisation efforts, we also use Building Information Modelling (BIM) to better coordinate IBS efforts. This improves process efficiency and facilitates coordination among the various parties that are involved in a project's development. BIM and other advanced software are currently being used in the planning of Setia City Residences and Setia EcoHill Walk. Through BIM, we have provided walk-through simulation for end-users to gain a realistic visualisation of the arrangement of furniture and fittings in relation to room sizes.

We work closely with many stakeholders in implementing IBS and BIM. We collaborate with regulators and other stakeholders including national construction regulatory bodies such as Master Builders Association Malaysia (MBAM), Construction Industry Development Board (CIDB) and the Malaysian Public Works Department (JKR). Following S P Setia's lead, our main and sub-contractors are also looking to adopt and implement IBS in order to address manpower issues and a declining level of workmanship.

D'Camelia in Setia EcoHill, Semenyih

PROCUREMENT PRACTICES

We work to build partnerships with our suppliers and support them in different aspects of sustainability. Moving forward, we are actively looking to respond to stakeholder expectations to enhance supply chain management in terms of safety in production whilst ensuring best environmental and anti-corruption practices.

Responsibly Sourced Construction Materials

S P Setia's subsidiary, Setia-Wood, obtained the CoC certification under the Malaysian Timber Certification Scheme (MTCS) in 2018. MTCS is a national timber certification scheme operated by MTCC. A CoC-certified company must be able to demonstrate that it has implemented and fulfilled the necessary quality standards which ensures that forests from which the timber is sourced from is managed sustainably.

This certification demonstrates our commitment to sourcing sustainable materials. The MTCS-certified flooring products will be used at ViiA Residences in KLEC.

Screening of Suppliers

In Malaysia, close to 100% of our suppliers are based locally, which translates into jobs and prosperity to the communities we operate in. We vet all the companies bidding for our tenders and do not invite companies or suppliers with poor track records to participate in our projects. New suppliers and contractors need to complete an environmental evaluation during their first registration with S P Setia.

We have the following system in place for suppliers and service providers:

- pre-qualification assessment of suppliers. If there is a breach in agreement, a new supplier will be selected from the list of pre-approved companies;
- a service level agreement is stipulated into contracts with providers; and
- yearly assessment of suppliers.

Working in collaboration with our contractors and suppliers ultimately results in better project deliverables. In Daintree Residence, as each PPVC manufacturer has their own proprietary system for the PPVC modules, we engaged with the main contractor as well as the PPVC manufacturer during the design stage. This allowed us to ensure that inputs could be integrated towards better design and more effective technical solutions. This has improved site planning and construction sequence.

Setia-Wood obtained the CoC certification under the Malaysian Timber Certification Scheme

CUSTOMER MANAGEMENT

Customer Satisfaction
Customers are at the heart of our business and meeting their needs is a top priority. We have different avenues for customer feedback:

- Customer Satisfaction Survey
- Service Benchmarking Survey
- Customer feedback kiosks at frontline offices for customers to score staff service performance

We also conduct Property Management Satisfaction surveys to gauge the satisfaction of residents and to solicit their perceptions of the services and facilities.

Customer Satisfaction Survey
In 2018, over 11,000 home buyers participated in our survey to identify areas requiring further improvement.

The survey findings reveal that over 80% of buyers would recommend purchasing a home from S P Setia. Almost half of our developments achieved 80% and above in overall satisfaction for product quality. Furthermore, our sales and marketing teams and credit administration score highly in courtesy and helpfulness. Areas with room for improvement includes workmanship, the ability to provide prompt services and the ability to provide follow-up services.

Citizen Setia
S P Setia's core forte of nurturing liveable townships and transforming them into thriving communities is key to sustaining our leadership position in the industry. Our appreciation programme, Citizen Setia, recognises our valued and loyal buyers. All buyers are automatically accorded Citizen Setia status. Through the programme, they can enjoy a range of curated privileges and lifestyle experiences.

As part of our customer-centric solutions, we launched the Purchaser Loan Tracking System (PLTS) that was first implemented in 2018. We conducted a four-month pilot project at selected BUs. As a result, processing turnaround time was reduced from 2-3 months to 14 days. This has improved both business opportunities and customer experience.

Customer Engagement Centre

ENVIRONMENT

SDG: 13 CLIMATE ACTION

Key Highlights

Systems: Guided by S P Setia's Group Environmental Management System (EMS) with ISO 14001:2004 certification

GBI certification for Setia SPICE Convention Centre: Dubbed the world's first hybrid and solar-powered convention centre

Biodiversity management: Hatched and released 526 butterflies at Setia Eco Park

We believe that careful planning results in sustainable cities. In every S P Setia development, great importance is given to providing sustainable infrastructure for our communities. Our aspiration to meet international benchmarks for green architecture and sustainable developments has gained recognition, and is reflected through the multiple green awards presented to us over the years.

In the property and construction industry, environmental impacts can be locally significant. We have policies in place to avoid and manage any unexpected incidents, according to S P Setia's comprehensive Environmental Management System (EMS) with ISO 14001:2004 certification.

As the owner of township developments, we aim to ensure high environmental performance on-site. We have designated persons-in-charge to monitor the environmental performance of our company and contractors to ensure our supply chain adheres to environmental regulations.

We provide training related to health, safety and environment to employees and contractors. Several audits take place during development projects to ensure environmental compliance. The audits are carried out by third party auditors, internal auditors and our project team during the construction stage. Pertinent issues are flagged during monthly Health and Safety meetings.

COMMITMENT TO GREEN DEVELOPMENT

At S P Setia, sustainability is taken into account during project design, building stages and throughout the life cycle of the development. The simplest elements of green design such as optimal use of daylight, building orientation, efficient heating, ventilation and air conditioning systems and LED lighting have become industry standards. We strive to go beyond industry standards and this is demonstrated through the incorporation of vegetation in landscaping such as rooftop gardens, recreational parks and sanctuaries among others.

Green Initiatives
The initiatives taken by S P Setia have resulted in garnering green building awards and certification for a number of our developments.

During the construction stage, some green aspects that are taken into account including:

- Improving energy efficiency through solar panels, energy efficient lighting systems, natural air ventilation and incorporating project designs that reduces heat gain.
- Using IBS as our preferred construction method. In Singapore, we use PPVC method.
- Using low and non-Volatile Organic Components (VOC) content paint as was done at Daintree Residence. We are working towards increasing the use of low VOC paints in all our developments.
- Installing water efficient taps and fittings such as rain water tanks.
- Strict waste minimisation schemes, such as the implementation of wall panel and incorporation of recycled materials.
- Transportation fleets that consume less fuel when delivering goods to job sites.

SPOTLIGHT

Maison Carnegie, Melbourne, Australia

Maison Carnegie is a multi-unit residential development in Carnegie, Victoria by S P Setia. The project comprises of 47 apartments over four levels and two basement carpark floors. Maison Carnegie is targeting 4 Star (Best Practice) level of performance in the Green Star category: Design & As-Built v1.

Green Star is a voluntary sustainability rating system for buildings in Australia. Developers can use Green Star for independent verification of the sustainability performance of their developments.

Environmentally sustainable design approaches are focused on:

- Reducing greenhouse gas emissions and resource consumption.
- Improving environmental performance of the building throughout its life-cycle.

The project began construction in January 2017 and was substantially completed in April 2018. Building occupancy commenced in July 2018.

The homes have a number of design elements that help reduce environmental impact:

- Water consumption and sewage emissions are minimised through use of water efficient fittings.
- Low VOC content paints, solvents, adhesives and carpets improve air quality.
- All insulants used in this project have no ozone depleting potential.
- The air-conditioning units within the apartments and common areas are within the one-star rating of the most efficient rated unit available.
- Domestic hot water heaters are gas fired condensing boilers with a minimum efficiency of 95%.
- Each apartment has a smart meter for monitoring of energy and water consumption.

These features translate into reduced electricity and water bills for the homeowners and a lower carbon footprint. Ultimately, the results bear testimony to S P Setia's commitment to green development.

SPOTLIGHT

Eco Practices at Daintree Residence, Singapore

- Energy efficient lighting in common areas to minimise energy consumption from lighting usage while maintaining proper lighting level.
- Energy efficient air-conditioners that are certified under the Singapore Energy Labelling Scheme.
- Natural ventilation in common areas.
- Installation of carbon monoxide sensors to regulate the demand for mechanical ventilation (MV).
- Implementation of energy efficient features such as occupancy sensors, ductless fan, cool paints, gearless drive lifts and sun pipes.

GREEN CERTIFICATION AND AWARDS

By implementing green initiatives across all our projects, we want to meet the international benchmarks for green architecture and sustainable developments. Our efforts have been acknowledged via the multiple green awards presented to us over the years.

SPOTLIGHT

Setia SPICE, Penang – The World's First Hybrid and Solar-powered Convention Centre

Convention centres boost economic growth and in the long term attract investors, create job opportunities for locals and facilitate knowledge sharing. Located next to the Bayan Lepas industrial zone, also known as the Silicon Valley of the East, Setia SPICE supports business needs in this location for a convenient world-class venue to conduct seminars, functions and regional events.

Balancing aesthetics and sustainability, the Green Building Index (GBI) has certified the Setia SPICE Convention Centre, Setia SPICE Canopy (a retail and office component), Setia SPICE Aquatic Centre, the 10,000-seat Setia SPICE Arena and a business hotel.

The whole development spans a 25.4-acre tract and is believed to be the world's first hybrid and solar-powered convention centre. The solar panels on the roof of the aquatic centre are able to generate about 700 kWp to 984 kWp per annum, with a cost saving about RM500,000.

The centre's main feature is its iconic roof, fitted with 654 energy-efficient LED lights. To maximise daylight indoors, the centre features a low-emission glass façade and skylights. The inverted "trumpet" roof acts as a self-cleaning water funnel that also helps to reduce cost.

Setia SPICE utilises rainwater harvesting, Water Efficiency and Label Standards (WELS)-rated sanitary ware and fittings to reduce water consumption and good ventilation through outdoor air intakes and operable windows. Most of the materials used in the convention centre are eco-friendly and locally sourced to reduce carbon footprint.

Setia SPICE won "The Edge Malaysia-PAM Green Excellence" Award, which is based on the design, sustainability, implementation, cost efficiency, green buildings standards and contributions to the community.

MANAGING BIODIVERSITY

Eco-themed lifestyle developments like Setia Eco Park, Setia Eco Templer and Setia Eco Glades centre on ecologically-friendly living. To mitigate our impact on the environment, we have initiated several projects to preserve biodiversity and educate the public on the importance of nature conservation.

SPOTLIGHT

Setia Eco Glades – Our Landscape Philosophy

Our long-term commitment to nature is reflected in the landscaping at Setia Eco Glades, where we preserved original flora and fauna and tracked in situ biodiversity to ensure that we nurtured the natural species found on-site. The existing natural assets within the undulating site were a secondary lowland forest merged with riverine and wetland plants, a series of old tin mining ponds with permanent bodies of relatively good quality water, birds, fishes and other local fauna.

We minimised the use of building materials in this development and reused as much of the affected environment as possible, such as trees and saplings, using topsoil as planting media, repurposing excavated sub-grade as general fill material and using suitable sand as drainage media. The existing natural resources within the site were surveyed by specialists from Forest Research Institute Malaysia (FRIM), Malaysian Nature Society (MNS) and Zoo Negara.

Nestled in the development is a 2-acre orchard garden that has 16 species of fruit trees and nurtures squirrels, birds and butterflies. It also doubles as a natural sound barrier. The garden's fruit-bearing trees, which were planted to attract birds, include banana, ciku and mango trees. The effort has proven a success, with birds returning to the 2-acre orchard at Setia Eco Glades. We have initiated similar efforts in most of our eco-themed developments such as in Setia Eco Park, where we worked in collaboration with Kuala Lumpur Bird Park.

Butterfly Conservation

As part of our efforts to preserve biodiversity, we collaborated with Entopia by Penang Butterfly Farm to sustain the existing resident species while breeding new species at Setia Eco Glades. We identified and planted 20,000 different food and nectar plants to provide a rich food source for the butterflies as well as to sustain the butterflies' colony. We also planted and propagated 1,000 plant species for the betterment of butterflies living. Our objective is to make Setia Eco Glades an ideal breeding ground for butterflies, ensuring that these creatures will survive and continue their natural life cycle.

In addition, we opened a mini butterfly sanctuary at our sales gallery in 2018 with samples of different butterfly species from Setia Eco Glades. We aimed to raise awareness on biodiversity, particularly butterflies, and to educate the community on the ecosystem value of butterflies.

Butterfly Sanctuary at Setia Eco Glades, Cyberjaya

Papilio Polytes

Between March 2018 and September 2018, the sanctuary at Setia Eco Park hatched and released 526 butterflies to the field.

SPOTLIGHT

On Trees

Wherever possible, we work around existing trees on the lands we develop. We either integrate them at the design stage to ensure seamlessness, or safely transplant the trees to a different area. When designing Brooks Residences in Penang, we positioned buildings in such a manner that we avoid harming existing trees. When it becomes unavoidable, we relocate the trees to designated areas as advised by the local town council. In total, 11 out of the 15 trees were relocated to a river bank inside the development. At Sky Ville in Penang, as part of the widening process of Jalan Free School, 22 out of the 58 trees were transplanted to a land belonging to the council.

In Singapore, our Daintree Residence design protects a 50-year old heritage raintree on the original site. The tree will be the featured landmark within the completed development for the enjoyment of residents and guests. We consulted with a certified arborist to evaluate the tree's health during the construction activities and actions were taken to mitigate any hazards that may harm the tree.

Heritage tree at Daintree Residence (before)

Heritage tree at Daintree Residence (after - artist impression)

At Setia Eco Templer, which is near the majestic Bukit Takun, Templer Park and Kanching rainforest reserve, we are working with MNS to create a natural habitat for the numerous species of birds that can be found in this vast forest reserve. Great care has also been taken in transplanting trees within the development.

The award-winning EcoHill Park in Setia EcoHill, Semenyih

Awards

EcoHill Park in Setia EcoHill in Semenyih was awarded the Malaysia Landscape Architecture Awards (MLAA) Excellence Award under the Landscape Development Award — Developer and GLC Category as recognition for sustainable landscape development. EcoHill Park is designed to minimise environmental impact and promote environmental sustainability. The ecosystem and natural cycles at the site were taken into account right from the park's inception. Special features include an outdoor gym, children's play area and the Canopy — an area with a Tai Chi lawn and a maze for meditative walk. Many of the trees in the park were saved from the original site. S P Setia has established a partnership with Cyber Plant Conservation Network (CPCNet) to plant indigenous fruit trees at a special site at EcoHill Park, known as Energy 26.

CONSUMPTION OF RESOURCES

We are committed to reducing our consumption of water and electricity and we monitor our office-based as well as project-based consumption. In addition to the initiatives we have in place to manage our resource consumption, we promote environmental awareness among our employees.

MITIGATING ENVIRONMENTAL IMPACTS

At S P Setia, our Health, Safety and Environment (HSE) team champions compliance and monitoring of environmental indicators on our development sites. They monitor and audit contractors on a bi-weekly basis on construction waste management, noise pollution, air pollution and effluent management.

We adhere to the guidelines of the Department of Environment (DOE). As required by the licencing agreements, respective BUs have the following measures in place:

- Before the start of any development project that is more than 50 hectares, an Environmental Impact Assessment (EIA) is conducted.
- An Environmental Management Plan is then designed, together with a third-party consultant, to ensure that appropriate environmental management practices are adhered to during the construction phase.
- A monitoring programme is put in place to ensure compliance with the requirements of the Environmental Quality Act 1974.
- Monitoring and analysis of the quality of the air, water and noise quarterly with measuring equipment placed at strategic points within and around the parameter of the project site.
- Monitoring traffic flows and waste management processes.
- Water spray is deployed to reduce air pollution.
- Emergency Response Plans (ERP) have been established at sites to manage fire, floods and chemical spillages.
- Noise control initiatives are implemented, which includes barriers at source of noise pollution and mufflers for machinery.
- On-site toilets are equipped with septic tanks to prevent water pollution.

For smaller projects that do not require an EIA, our internal checklist and standards apply to ensure necessary HSE practices are implemented. The Group has in place its own monitoring and tracking system called Health, Safety and Environment Inspection. The findings are reported in monthly Senior Management meetings.

Air Pollution Control

At S P Setia's project sites, we minimise our air pollution through the following initiatives:

- During the earthworks stage, existing trees along the development boundaries are used as buffers to maintain air quality by minimising dust from travelling to public areas.
- By controlling the routes and speed of construction vehicles, we can minimise the impacts of dust and exhaust fumes.
- Dry construction site access and routes are regularly watered in order to prevent excessive dust.
- Metal hoarding is installed around the construction sites.
- We ensure contractors provide adequate metal bins at construction sites and workers' quarters in order to prevent open burning. Disposal of the waste is closely monitored.
- All machinery are required to undergo scheduled maintenance.
- Ambient Air Quality Monitoring is carried out to ensure compliance with national legislation, evaluate controls and provide data for air quality modelling.

SOCIAL

SDG: 4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH

Key Highlights

Health and Safety: Sihat Setia, a month long initiative focused on health and safety across the Group

Organisational Resilience: The results of the People Pulse Survey (PPS) in 2018 revealed that the overall employee engagement score was 83%, higher than the average Malaysian company

Community Empowerment: The #StandTogether campaign reached some 750 schools in the country

HEALTH AND SAFETY

Health and safety is a core component of our business. We focus on maintaining the health and wellbeing of our people, both in our offices and at project sites, as well as those along our value chain.

Approach to Safety

In S P Setia, each BU has its own HSE committee that oversees HSE concerns at project sites. The committees conduct HSE Management meetings on monthly basis and Occupational Health and Safety Assessment Series (OHSAS) 18001 Management Review Meetings on a yearly basis. The committees come under the purview of the Group Safety Committee, chaired by the COO. We also have in place the OHSAS 18001:2017 certification. We will continue to improve our health and safety measures to prevent any accidents and ensure the safety of our workforce.

Safety is a top priority across the organisation. One accident is one too many

A culture of safety is reliant on continued awareness and learning

Our Safety Fundamentals

Safety is integral to our culture. A safe work environment is a critical enabler to help us realise our promise of delivering with quality and consistency

Selected safety programmes and initiatives in 2018:

Division	Initiatives
Property Central	KLEC Safety Campaign 2018.
Property East	World Occupational Safety and Health (OSH) Day joint toolbox with Aeropod and all contractors in April 2018.
Property North	Five safety officers joined the Master Builders Association Malaysia (MBAM) Annual Safety & Health Conference 2018 – Driving Safety Culture in Today's Construction Industry. Four safety officers joined the 21st Conference & Exhibition on OSH, with the theme of assimilating safety and health with new technology, especially in OSH management.
Property South	Work Accident Free Week with Jabatan Keselamatan dan Kesihatan Pekerja (JKKP) including a talk session with "We are OSH Leadership".
Setia Precast	World OSHA Day, organised by JKKP aimed to increase site personnel's awareness on safety. A total of 250 employees and workers took part.
Setia-Wood Industries	Conducted compliance assessment of Setia-Wood Factory local exhaust ventilation (LEV) system's compliance with regulatory requirements.

WORKPLACE: TEAM SETIA

We have consistently focused on inspiring, nurturing and empowering Team Setia in creating a workplace that values their contributions. Our efforts are guided by a robust governance framework that promotes ethical behaviour, accountability, transparency and integrity.

We take great pride in nurturing our organisation by providing career development opportunities as well as competitive benefits to Team Setia. Ours is a workplace where talents are groomed and achievements are credited to the team. We promote a culture of excellence by emphasising on a commitment to quality, teamwork and professionalism amongst our employees.

Culture – Building a Resilient Organisation for the Future

Team Setia is our most important asset. We strive to promote a culture of integrity and mutual trust in the workplace. Employee engagement is one of our priorities. We use various platforms to engage with employees and to address the different needs of our multi-generational workforce.

Employee Engagement

We continue to engage our people through various channels as we focus on building a high-performance culture based on excellence. Our PPS is conducted annually by Korn Ferry in November and AON Hewitt in March. It covers key engagement and leadership dimensions and surveys employees, HR and a face-to-face interview with the President and CEO.

Based on the 2018 PPS, our overall employee engagement score was 83%, higher than the average for Malaysian companies.

The AON Hewitt Survey, completed in March 2018, positioned S P Setia as the Best Employer Award winner for the 9th time. We believe the award can be attributed to our consistent efforts to engage our people using different channels and genuinely address issues arising from the results.

Focus groups are being conducted within BUs with low scores by Group Human Resources to ensure that a neutral party engages with each unit to understand the underlying issues. The assessment criteria in the survey is globally standardised. It covers key engagement and leadership dimensions and surveys employees, HR and the President and CEO.

Our scores are reflective of the culture of resilience and passion that we continue to nurture. As an organisation that is continuously growing, we need our people to be both engaged and future-ready. Efforts are being scaled up to ensure that our talent and leadership pipeline will be able to accelerate and meet the demands of the ever-evolving industry.

As part of our engagement efforts, the Good Morning Setia programme has been conducted daily since 2012 across all divisions and BUs. It is an effective way for Team Setia to collect and share information such as updates, announcements, practices, and any changes in policies or procedures with each other.

We continuously encourage Team Setia to perform their best and reward them accordingly. Our Total Reward strategy uses a multi-pronged approach, ensuring a balance between immediate and long-term rewards.

On-boarding Programme

The employee engagement experience starts from our 90-day "on-boarding" sessions, which encourages a sense of pride and knowledge of the key elements of Group culture, such as our vision, mission and values. We have introduced an e-learning assessment to ensure new employees understand the company's products, Code of Conduct and Standard Operating Procedures (SOPs).

By the second month of employment, we will introduce the buddy system and a HR Mentor chat to the new employee. This practice has been successful in ensuring the smooth transition of new employees. In 2018, 139 employees were involved in the programme.

Functional Team Huddle

Functional Team Huddle is a 2-day-1-night off-site team event designed to bring together functional groups from different BUs. The event aims to build engagement, collaboration and create team synergy. In 2018, we brought together group-wide talent by organising two huddles for our front liners: Sales & Marketing group and Customer Relations group. The huddles will continue to be deployed for other functions, as we find they are useful in driving higher engagement with a specific focus on core roles. A total of 500 employees participated in these events in 2018.

Sihat Setia

We have a number of initiatives that encourage employees to lead a balanced lifestyle. We dedicated one month annually to a company-wide health campaign. The 2018 campaign was themed "Sihat Setia" and focused on 4 areas: Inner Shine, Be Gorgeous, Living a Beautiful Mind and Be Active. The activities organised during the "Sihat Setia" campaign included a 21-day BMI challenge, group exercise lessons, art therapy, Setia Sports Day and a hiking day in each region.

Boosting Teamwork

Team Setia conquered Mount Kinabalu for the sixth time in September 2018. The preparation for the expedition started several months before, with medical check-ups and six months of physical and mental resilience training. Through the journey, the participants built lasting bonds and showcased camaraderie and resilience — qualities which we are proud of.

We believe that for any organisation to survive in the long term, it is imperative to ensure that employees are future-ready and embrace a culture of lifelong learning. Our employee training and development aims to facilitate a learning mindset and cultivate a passion for knowledge. Our strategic approach is to shift the leadership styles within the Group to be more nurturing and transformational.

Talent Management

Our Talent Management Framework covers all levels of employees, with targeted development strategies focused on Core Organisation Competency within each job grade. A Critical Path Development has been identified as the basic premise for the development of relevant leadership levels to ensure that talented employees are equipped with the necessary skills required as they rise up the leadership ladder.

Our development focus for 2018 reaches across all levels through three types of programmes:

- Core Organisation Competency (programmes that are deemed core to the function of the job role – centred around critical thinking and the mindset of employees).
- Critical Path Development (mandatory programmes for respective levels to develop career paths – involves leadership qualities development, people management skill, and good execution and collaboration).
- High Potential Development (structured programmes for personal excellence and senior management level leadership).

PeopleXCELLENCE @ Setia

PeopleXCELLENCE is a structured programme that prepares new managers for transition to a managerial career by encouraging a change in mindsets and learning skills to lead an effective team. The programme is designed to follow the employment cycle from recruitment, development, performance management potential career trajectories. It helps new managers to build a solid foundation in people management and is mandatory for all newly promoted managers. In 2018, the nine-module programme ran over a period of four months and involved 56 managers.

Setia Heart – Coaching for Growth in Performance and Resilience

In 2018, we strengthened our talent management and focused on embedding a strong coaching and resilience culture through the launch of the Setia Heart programme. Setia Heart supports employees in building mental and emotional strategies to build resilience. The programme, which develops a strong group of leaders who can coach others to achieve success, contributes to our strategy of training our talent on the same platform to speak the same language. In 2018, the Setia Heart programme has involved more than 1,500 employees from an executive level and above.

Executive Education

Executive Education is a development initiative to ensure our senior leaders are business-savvy, have a global mindset and are up-to-date with relevant business trends. During the programme, senior leaders are exposed to new approaches to leadership, emerging business trends and opportunities to network and learn new insights from senior leaders around the world. Three employees from the senior management team participated in this programme in 2018.

PeopleXCELLENCE Programme for Team Setia

Other Programmes

Every year, employees attend external public programmes to acquire or update specific skills. These include seminars, workshops and conferences offered to the public. In 2018, a total of 359 employees attended such events.

Study tours expose employees to various development concepts and methodologies in other countries, thereby enhancing their technical knowledge and capabilities. This year, we arranged a number of study tours to different locations such as Singapore, Dubai, Tehran, Bali, India and London. A total of 80 employees were sent on study tours.

We follow the industry closely and benchmark ourselves against other top companies. We regularly invite leaders from different industries to share their experiences and best practices. We follow the industry closely and benchmark ourselves against other top companies. We regularly invite leaders from different industries to share their experiences and best practices. We also run a Speaking Confidently programme that focuses on building English conversation skills. In 2018, 590 non-executive employees attended the programme.

Succession Planning

Leadership development is a key priority in S P Setia and we follow a strategic framework which feeds into our Succession Planning process. We use a practical and efficient methodology to balance our time investment in employee development and drive business results.

Succession planning is undertaken for key roles in partnership discussions between between the Group Human Resources Team and the BUs Heads. This is a key strategy in ensuring that our managers are trained systematically for a consistent leadership experience. The High Potential talent group is selected based on consistent track record, ambition and aspirations, competencies and being keeper of the Setia Values.

Talent Acquisition

We aspire to be the most attractive employer in our industry. To maintain our leadership position, we need a high-performing talent base. To this end, we use a wide range of talent acquisition strategies ranging from digital platforms to campus career fairs. We collaborate with relevant institutions and have an employee referral programme, where incentives are given to those who refer successful individuals to the company.

We take part in several career fairs annually. In 2018, we took part in Jobstreet Malaysia's Career & Training Fair (MCTF). We also teamed up with the Singapore Institute of Management (SIM) to source for graduates interested in developing their career at S P Setia. Through SIM, we connected with Malaysian students who wish to return to work in Malaysia.

M100 is a well-known survey ranking Malaysia's 100 leading graduate employers. The accompanying M100 Challenge is a graduate contest involving talent identification for employers. Simulating a marathon, it incorporates assessment-centred activities planned by employers to evaluate undergraduates' Intelligent Quotient (IQ) and Emotional Quotient (EQ) abilities, as well as their teamwork, creativity and leadership skills. In 2018, we participated in M100 Challenges at UTAR (Sungai Long campus) and University Malaya.

We also took part in networking events relevant to our industry. We actively highlighted our employee engagement and corporate culture at numerous seminars and events. In 2018, these seminars and events included Women & Leadership, Lean In Malaysia, and a Chief Human Resource Officer (CHRO) talk.

SPOTLIGHT

Digital Platforms

We identify talent for our hiring needs through various sources. Digital platforms such as LinkedIn and Jobstreet, are used regularly. Events and the latest happenings at the company are frequently updated via the S P Setia's Facebook page to promote S P Setia as the employer of choice who lives up to their philosophy of livelearnworkplay. In the past year, we successfully identified and recruited approximately 46% of the total vacancies within S P Setia through digital platforms.

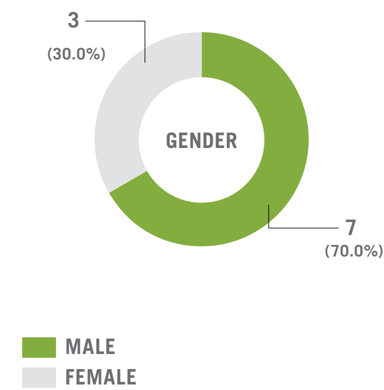
The Employee Referral Programme is an ongoing effort to encourage our employees to refer suitable and skilled friends or family members for job opportunities across the group. While it serves as an opportunity to promote S P Setia as the employer of choice, it also instils a sense of belonging among Team Setia. This year, the programme successfully filled 24% of the vacancies.

DIVERSITY AND EQUAL OPPORTUNITY

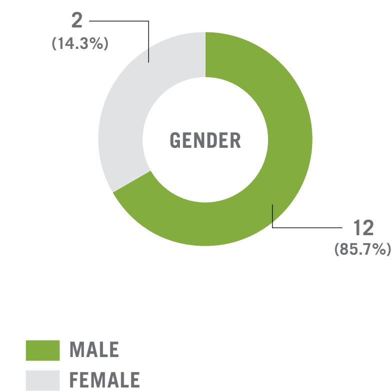
We value diversity of thought and experience and strongly believe that this diversity has helped us serve our customers better. We strive to achieve a balanced representation of men and women at all levels of the organisation. We believe that everyone should have access to the same rewards and opportunities.

As part of our efforts to build a more inclusive workplace, in 2018 we increased the number of nursing rooms in all BUs and extended the paid maternity leave from 60 days to 90 days. In addition to this, female employees can claim maternity reimbursement up to a maximum of RM2,500 per delivery for five surviving children.

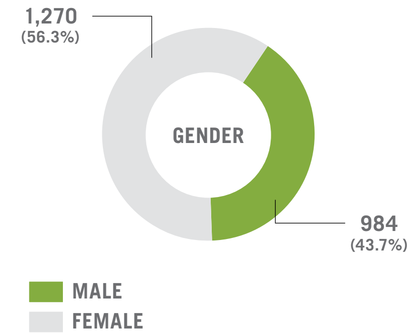
Board of Directors in S P Setia

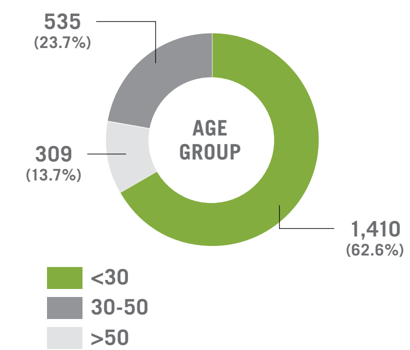


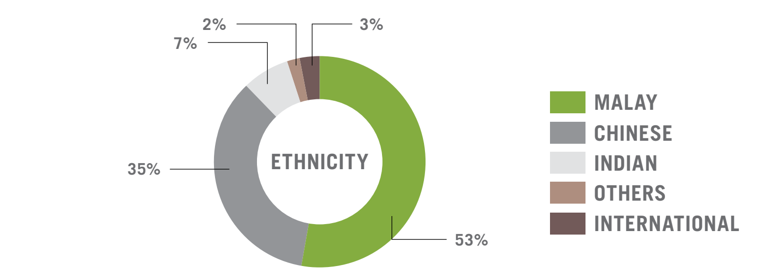
Senior Management Team



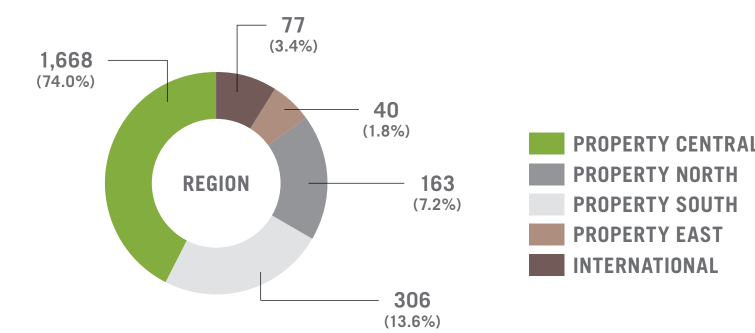
Employee Breakdown (Total Employees = 2,254)



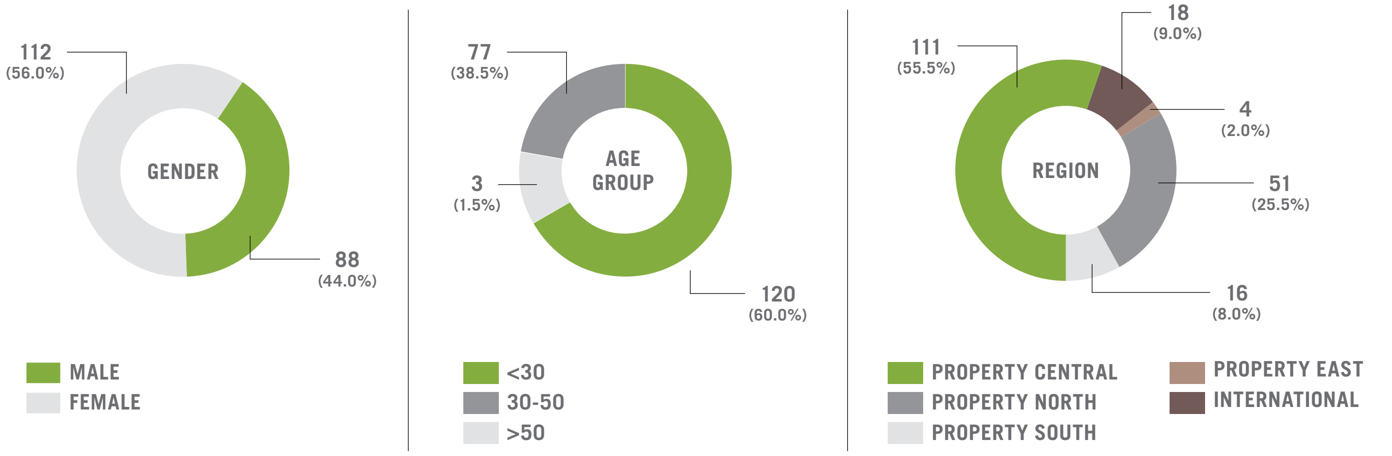




*Note: Malay, Chinese, Indian and Others are Malaysians



New Hires Breakdown (Total New Hires = 200)



Women of Inspiration (WIN)

The Women of Inspiration @ Setia (WIN) is a programme launched in 2017 that focuses on empowering and developing a strong talent pipeline for women, supported by a condusive working environment.

S P Setia continues to support the national aspiration to increase women's participation at the board level by participating in the 30% Club Malaysia's Mentoring Programme for board-ready female meetees through voluntary participation of our board members as Mentors for the Mentoring Programme.

WIN @ Setia focus areas are:

- **REALISE** the potential of every female talent through our development initiatives, based on the strong values set forth in our Employer Value Proposition. As we experience further growth, we need to attract the best talent in the market.
- **RETAIN** our female talent pool within the Setia group by providing a working environment that supports both career aspirations and personal growth.
- **RAISE** the bar by increasing the number of female employees at the middle and senior management levels.

These focus areas are divided into three pillars: Leadership, Engagement and Communication. In 2018, WIN executed a number of programmes, both throughout the year and in conjunction with International Women's Day and Empowering Women Month in March.

Through WIN, we organised focus groups throughout the year to understand and address the feedback given to us by our female employees. We strive to foster an equal opportunity and balanced work environment for our female employees.

S P Setia organised a 'Setia Women's Fun Run' in conjunction with International Women's Day 2018

PILLARS OF WIN

Leadership

The Women4Women aims to mentor female talents and serves as a pipeline for succession planning. In 2018, we conducted three modules of Women4Women. Attendance was by nomination.

Engagement

WIN encourages engagement within the BUs to increase the level of involvement and learning. We do this via networking groups for women within the BUs called WIN Circles. These Circles are small groups of women in Setia who champion peer-to-peer support in learning and growing together. We aim to have a WIN Circle group in every BU.

Communications

WIN aims to further increase the diversity and inclusion agenda within the S P Setia workplace. In 2018, WIN's main focus was on the Leadership and Engagement pillars.

Moving forward, our focus will emphasise on the Communication pillar, with plans to attract more female talent to the built industry. We also aim to increase volunteerism efforts and form partnerships with non-governmental organisations focusing on diversity and inclusion.

COMMUNITY EMPOWERMENT

SDG: 4 QUALITY EDUCATION

Setia Foundation

S P Setia's community contribution is channelled mainly through Setia Foundation, a charitable trust established in 2000, with the objective of lending a helping hand to underprivileged individuals and charities. Since then, it has disbursed more than RM73.0 million in the areas of education, general welfare and medical assistance. The Foundation has touched the lives of more than 9,300 children over the years.

Key Highlights

#StandTogether

In an effort to combat bullying amongst children and youth, we teamed up with R.AGE and created a media campaign called #StandTogether. The campaign successfully created kindness movements in schools across Malaysia - approximately 750 schools participated in the campaign with over 130 student-led project ideas submitted.

Several partners also supported the campaign, including UNICEF Malaysia, Digi, Petrosains, Study Hub Asia, 100% Project and Teach For Malaysia. The partners helped develop a complete Kindness Week curriculum, which was made free for teachers to download. We hope to execute the Kindness Week programme in more schools across the country in 2019.

#StandTogether Competition

The goal of the #StandTogether Competition was to get students involved in making their schools a safer, kinder place. Through this competition, 20 schools with the best ideas for a kindness project were awarded a cash grant of up to RM1,000 each to fund the proposed idea. Of these, ten shortlisted schools implemented their proposals during National Kindness Week and competed for the grand prize.

SK Kota Dalam, one of the schools from the Setia Caring School Programme, emerged as the winner with their caring idea – the 5S campaign (Senyum, Sapa, Salam, Sopan & Sayang).

#StandTogether Carnival

After six months of campaigning at schools nationwide, the #StandTogether carnival at Setia City Convention Centre marked the grand finale. More than 1,000 people came to enjoy performances by celebrities and other actititives.

Award-winning Campaign

The #StandTogether National Kindness Week campaign was honoured with a gold award at the Digital Media Asia summit.

Our Core Programme – Setia Caring School Programme

The Setia Caring School Programme (SCSP) has been running since 2015, when Setia Foundation embraced a school programme that was initiated by the Ministry of Education. Under this programme, the Foundation adopts underperforming schools with the goal of inspiring students, teachers and parents. We work with these community members to ensure that the students are surrounded by good role models, caring teachers, supportive parents and engaged peers.

The programme aims to cultivate future leaders who are not only academically successful, but also grounded in positive moral values and possessing empathy for all in a multi-cultural community. Anchored by the idea of sustainability, the programme is focused on creating changes that live on after the completion of the programme.

SPOTLIGHT

SCSP is the Foundation's core programme and currently supports seven schools in two states. The total number of students impacted by SCSP is 3,869, with over 400 teachers supporting the programme as well as 119 volunteers from S P Setia and the local community.

The SCSP is divided into six thematic Caring Areas: Family, Friends, School, Nature, Environment and Society.

In 2018, Setia Foundation carried out 137 projects focussing on the six Caring Areas for students from the seven schools. Various workshops, field trips, team building for teachers and visits to farms and old folks' homes were organised with the intention of nurturing the students' caring nature.

CARING AREA

Family

Objective
Inculcating a caring culture towards family

Key Highlights

SCSP Hydrotheraphy

We provided SCSP Hydrotherapy for students with disabilities at SJK(C) Aik Hua and at SJK(T) Kulai Besar. The activities and games conducted during the therapy session improves body movement, co-ordination and muscle awareness. Teachers and parents were involved in the activities to strengthen the bond and trust between them and the students.

SCSP hydrotherapy session for students with disabilities

Chinese New Year Celebration

During Chinese New Year, SJK (C) Aik Hua (Penang)'s Parent-Teacher Association collected daily groceries that were donated to three old folks' homes. The Penang students offered shoulder massage to the elderly and performed a short musical.

Students offering shoulder massage to the elderly

Friends and School

Objectives
- Inculcating caring culture between friends
- Inculcating a caring culture towards education, teachers and school facilities

Key Highlights

#StandTogether Campaign

Two Setia Caring Schools, SJK (C) Aik Hua (Penang) and SK Kota Dalam (Johor), were among the shortlisted schools for the Top 30 #StandTogether kindness challenge. SK Kota Dalam was shortlisted as one of the ten finalists and presented their kindness idea in the #StandTogether carnival. This campaign motivated students to perform acts of kindness. The effectiveness of the campaign can be seen when students, teachers, school staff, parents and the community are highly involved. It becomes a culture for students to learn and treat everyone with kindness.

Launch of the #StandTogether campaign

Caring Roadshow

Caring Roadshow is introduced to inculcate teamwork and soft skills to students. The objectives of this project are to build confidence of the students and nurture a culture of compassion through activities. 15 Caring Roadshow workshops for over 300 participants were organised in 2018, with the help of school teachers.

Unity Leadership Camp

The Unity Leadership Camp aims to impart the following leadership qualities among the students: Self-awareness, Financial Literacy, Resilience and Perseverance, Decision-making Abilities, Unity and Teamwork, Giving and Sharing.

Team activity at the Unity Leadership Camp

Unity Field Trip

We continued to support Unity Field Trip for underprivileged students. The Inclusive Caring Arts (TICA) Programme for special education students, provided breakfast for UPSR students, as well as distributed festive grocery package for low income family students.

Unity Field Trip to historical city Melaka

Environment and Nature

An activity under the Green Ranger programme

Objective
Increase awareness on protecting the environment

Key Highlights

Green Ranger

During this programme, the students from our adopted school in Johor learned about the source of their food. Participants were taught composting and sustainable farming methods. We also encouraged the schools to plant basic vegetables at their schools. The students also visited Entopia in Penang, where they had the chance to learn about insects and reptiles.

An activity at a Green Workshop conducted by Setia Foundation

Society

Objective
Encourage students to be caring and compassionate towards their community

Key Highlights

Festive celebration at SJK (T) Kulai Besar, Johor

Festive Celebration

The schools celebrated local festivals with the communities. During local festivals (Chinese New Year, Hari Raya and Deepavali), students, teachers and volunteers visited the elderly in Johor and Penang, served the elderly a healthy lunch and donated food items, toiletries, and medicine. This year SJK (T) Kulai Besar hosted students from other SCSP Johor schools for Deepavali celebration.

Shelter Home Visits

Team Setia visited Shelter Home and Sekolah Bimbingan Jalinan Kasih (SBJK), Chow Kit and spent quality time with the students during the festive celebration. A dinner was catered by Pitt Stop Community Café who serves daily meals to those living on the streets.

Team Setia is always ready to volunteer for activities held by Setia Foundation

>> **Corporate Governance** Overview Statement

Dear Shareholders,

It is with great pleasure that I present to you S P Setia's Corporate Governance Overview Statement for 2018. In 2018, we strengthened our commitment towards doing business responsibly by enhancing our internal governance practices, which have in turn, helped us better align with stakeholder expectations. Our governance practices are detailed in the Corporate Governance Report, available online at: www.spsetia.com. In the following pages, we describe our approach to corporate governance and the activities of the Board of Directors and Board Committees.

The Board is collectively responsible for setting and upholding high standards of corporate governance including the way in which the Group conducts its business, its approach towards ethical matters, and the definition of acceptable risk in delivering the Group's strategy and value creation for its shareholders.

As Chairman, it is my role to ensure that the executive leadership and the Board are able to discharge their responsibilities effectively. At the same time, I will ensure that a robust succession plan is in place to anticipate all eventualities that may arise.

As part of the Board's commitment to accountability, we continue to ensure that the Board presents a fair, balanced and understandable assessment of the Group's financial position and its prospects. The Board Charter and Terms of Reference (TOR) of its Board Committees can be found on the S P Setia website.

We also believe that diversity and inclusion are key components of our talent management and development programmes. Appointment to the Board is based on merit in order to ensure that the composition of the board is robust and meets the needs of the Group from time to time. In this regard, it is with pride that I draw attention to the fact that our Board comprised 60% Independent Directors and 30% women Directors in FY2018.

Finally, we have in place a remuneration policy that aims to attract, retain and motivate the right calibre of people to drive the performance of the Group's business. We aim to implement this policy in a transparent manner.

We look forward to upholding continued high standards of corporate governance, in order to preserve the good reputation of the Group and more importantly, remain credible in the eyes of our stakeholders. I personally believe that good corporate governance is good business.

Y.A.M Tan Sri Dato' Seri Syed Anwar Jamalullail
Chairman

Read more about the Board's leadership on page 104

Leadership

Our collective approach enables us to provide oversight on strategy, performance and accountability in our leadership and to ensure that all decisions are made in the best interests of S P Setia and our stakeholders.

Read more about the Board's effectiveness on page 106

Effectiveness

We continually evaluate the mix of skills and experience at the Board to ensure that we have the right people in place, and ensure capacity building is undertaken to enhance leadership effectiveness.

Read more about the Board's accountability on page 111

Accountability

All decisions are undertaken in the context of opportunities and risks involved with a robust and dynamic process in place to ensure accountability in S P Setia.

BOARD LEADERSHIP AND EFFECTIVENESS

ROLES AND RESPONSIBILITIES

BOARD			
Audit Committee (AC)	Nomination and Remuneration Committee (NRC)	Risk Management Committee (RMC)	Executive Committee (EXCO)
Monitors and reviews the integrity of the financial statements, the relationship with the external auditors, and the Group's system of internal controls.	Reviews the composition and balance of the Board to ensure the right structure and skills are in place to deliver the strategy. Reviews overall remuneration policy and strategy implementation of the Board and Senior Management.	Reviews the effectiveness of Group's risk management framework to identify, assess, manage and monitor risks.	Oversees implementation of management decision as well as approval of contracts based on approved limits of authority.

PRESIDENT AND CEO

Leads the business and is responsible for its day-to-day management

The roles of the Chairman and the President and CEO are held by different individuals. Summary of the roles of the Chairman, the President and CEO, the Senior Independent Director and Non-Executive Directors is as follows:

Chairman	President and CEO	Senior Independent Director	Non-Executive Directors
• Conducting meetings of the Board and shareholders and ensuring all Directors are properly briefed during Board discussions. • Facilitator at meetings of the Board and ensures that no Board member, whether executive or non-executive, dominates the discussion, and that healthy debate takes place.	• Responsible for the overall management of the Group, ensuring that strategies, policies and matters set by the Board are effectively implemented. • Regularly reviews the performance of the heads of divisions and departments who are responsible for all functions contributing to the success of the Group.	• Designated contact to whom concerns pertaining to the Group may be conveyed by shareholders and other stakeholders. • To chair meeting of the Board and shareholders in the absence of Chairman.	• Ensure that business and investment proposals presented by management are fully deliberated and examined. • Key role by providing unbiased and independent views, advice and judgment, which take into account the interests of the Group and all its stakeholders including shareholders, employees, customers, business associates and the community as a whole.

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD COMPOSITION

Currently, the Board comprises ten directors, namely:

(a) one Managing Director who is the President and CEO;
(b) three Non-Independent Non-Executive Directors;
(c) one Senior Independent Non-Executive Director; and
(d) five Independent Non-Executive Directors.

The composition of the Board exceeds the minimum one-third requirement of independent directors as stipulated in the Listing Requirements. The President and CEO, Dato' Khor Chap Jen, is the only executive Director on the Board.

The roles and responsibilities of the Chairman, and the President and CEO are separated by a clear division of responsibilities that have been clearly defined, documented and approved by the Board in line with regulations and best practices, in order to ensure appropriate and adequate supervision of the Management. This permits better understanding and delegation of responsibilities and accountability within the Group.

BOARD AND COMMITTEE MEETINGS

Procedures for Board meetings remain largely unchanged from previous years. The Company Secretary is responsible for advising the Board on appropriate governance matters, ensuring appropriate and sufficient information flow and that Board procedures are properly followed.

Details of the number of meetings of the Board and its Committees held during the year and attendance of Directors are set out on page 106 in this Integrated Report 2018.

ACCESS TO INFORMATION AND ADVICE

The Board has full and unrestricted access to all information pertaining to the Group's business and affairs including inter alia, financial results, annual budgets, business reviews against business plans, and progress reports on the Group's developments and business strategies, to enable it to discharge its duties effectively. The agenda and board papers are circulated to the Board members a week prior to the Board meetings to allow sufficient time for the Board to review, consider and deliberate knowledgeably on the issues and, where necessary, to obtain further information and explanations to facilitate informed decision-making.

The Board is engaged on announcements made by the Company to Bursa Malaysia Securities Berhad (Bursa Securities) on significant transactions, whereas news coverage on the events, analyst reports and matters concerning the Group reported in the media are disseminated to all Directors on a daily basis.

Senior Management officers and external advisers may be invited to attend Board meetings when necessary, to furnish the Board with explanations and comments on the relevant agenda items tabled at Board meetings or to provide clarification on issue(s) that may be raised by any Director.

All Directors have direct and unrestricted access to the advice and services of the Company Secretary and Senior Management and the Board may seek independent professional advice, at the Company's expense, if required, in furtherance of their duties.

DIRECTORS' ATTENDANCE FOR FY2018

The Board meets at least five times a year, where meeting dates are scheduled in advance (before the commencement of the financial year), to aid the Directors in planning ahead. When required, the Board meets on an ad-hoc basis to deliberate on urgent matters and/or issues. All Directors attended more than 50% of Board meetings held in FY2018.

BOARD LEADERSHIP AND EFFECTIVENESS

The attendance record for each Director is as follows:-

Name of Directors	Number of Meetings					43rd AGM
	Board	AC	RMC	NRC	EXCO	
Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin	8			2(2)		✓
Dato' Khor Chap Jen	9				13	✓
Dato' Halipah Binti Esa	8		2(1)		13	✓
Dato' Ahmad Pardas Bin Senin	9		4	4		✓
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob	9		4		13	✓
Dato' Zuraidah Binti Atan	9	2(1)				✓
Tengku Dato' Ab. Aziz Bin Tengku Mahmud	8		4			✓
Noraini Binti Che Dan	9	4				✓
Philip Tan Puay Koon	8	4		4		✓
Dato' Azmi Bin Mohd Ali	9	2(2)		2(1)		✓
TOTAL NO. OF MEETINGS HELD IN FY2018	9	4	4	4	13	

(1) Appointed as a member on 15 May 2018
(2) Resigned as a member on 15 May 2018

RESPONSIBILITY AND DELEGATION

The Board is responsible for the overall governance of the Group and plays an active role in determining the long-term direction and strategy of the Group in order to enhance shareholders' value.

The responsibilities of the Board include defining and determining the strategic direction, directing future expansion, implementing corporate governance, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, human resource planning and development, reviewing investments made by the Company, overseeing the proper conduct of business, and reviewing the adequacy and the integrity of the Company's internal control system and management information system.

There is a schedule of matters reserved specifically for the Board's decision which includes, among others, the approval of annual business plans and budgets, material acquisitions and disposals of assets, major capital projects, financial results, dividend recommendations, fundraising exercises and Board appointments.

The President and CEO together with the Deputy President and COO, CFO and EVPs of the Group are accountable for the day-to-day management of financial, business and operational matters of the Group within the prescribed limits of authority and in accordance with the Group's standard operating procedures, including transforming strategies into performance targets to realise the approved business plan for the year. They are in turn supported by a management committee which comprises the heads of all business units and support units.

The Group's Key Performance Indicators (KPIs), comprising financial and non-financial operating drivers for each financial year are set and approved by the Board to be achieved by the Management, led by the President and CEO. Performance of the Group against budget is reviewed and tracked by the Board on a quarterly basis in conjunction with the approval of the unaudited quarterly results of the Group. At the end of each financial year, the Board undertakes a full-year review of the Group's performance against the budget and business plan approved by the Board in the preceding year.

BOARD LEADERSHIP AND EFFECTIVENESS

DIRECTORS' INDEPENDENCE

For FY2018, the Board was satisfied with the mix of independent and non-independent directors. Since 28 February 2018, the Board comprised 60% of Independent Non-Executive Directors (INEDs). The Board practised active and open discussions at Board meetings so as to ensure that opportunities were given to all Directors to participate and contribute to the decision making process. Vigorous deliberations and all the views given by the Directors were considered before decisions were made by the Board. There is an existing process for the Chairman and Directors to declare and abstain from discussion in a situation where a conflict of interest might arise in order to uphold the integrity of the decisions made by the Board.

During the year, the NRC and Board assessed the independence of the INEDs as part of the Board Effectiveness Evaluation (BEE) process. The Board was satisfied with the level of independence demonstrated by all the INEDs and that they continue to bring sound, independent and objective judgement to Board deliberations through active participation in discussions and decision making and in their ability to act in the best interest of the Company. All the INEDs had also provided confirmation on his/her independence to the NRC and Board.

Besides an annual assessment, for any new appointment as an independent director, the potential candidate must submit his declaration of independence in compliance with the criteria set out in the Listing Requirements to the NRC and Board for consideration prior to his/her appointment.

DIRECTORS' COMMITMENT

The Board meets at least five (5) times a year at quarterly intervals with additional meetings convened as and when necessary, to approve quarterly financial results, business plans, budgets and other business development activities. The Board and Board Committee meetings for the whole year are scheduled in advance at the preceding financial year to enable the Board members to plan their schedules accordingly. All proceedings of the Board meetings are duly minuted, approved and signed by the Chairman of the Meeting.

The Board places importance on the contributions given through robust discussions by the Directors at each Board and Board Committee Meetings. In FY2018, all the Directors had complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the Company's Constitution. The Board was satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

The Directors were aware of the limits of directorships they could have in public listed companies quoted on Bursa Securities. While the Directors notified the Company Secretary as and when they were appointed to other boards, the Directors also provided updates of their directorships and shareholdings in other companies on a quarterly basis, which were tabled to the Board for notation.

COMPANY SECRETARY

The Company Secretary of the Company is qualified under Section 235 of the Companies Act 2016 and is also the secretary to the Board Committees. The Company Secretary plays an advisory role to the Board, particularly with regard to the Company's constitution and Board policies and procedures as well as compliance with relevant rules and regulations.

BOARD LEADERSHIP AND EFFECTIVENESS

NOMINATION AND REMUNERATION COMMITTEE REPORT

"The NRC works diligently to oversee Board composition and remuneration in order to ensure that we attract and retain accomplished Directors with an optimal mix of skills and experience. During the year 2018, the Company further strengthened the independence of the Board and Board Committees. This was aimed to provide stakeholders with greater confidence in the objectivity and integrity of our governance.

The NRC will continue to further strengthen board performance and build management capabilities through our robust succession management framework."

Philip Tan Puay Koon
Chairman & Independent
Non-Executive Director

OVERVIEW

The primary objective of the NRC is to assist the Board in proposing new nominees for the Board and Board Committees, developing and establishing competitive remuneration policies and packages, and assessing the directors on an ongoing basis. The NRC also administers S P Setia Berhad Group (Group) Employees' Long Term Incentive Plan (LTIP) comprising the Employee Share Option Scheme (ESOS) and the Employee Share Grant Plan (ESGP) in such manner as it shall in its discretion deem fit within such powers and duties as are conferred upon it by the Board as defined in the By-Laws of the LTIP.

Members of the NRC

Philip Tan Puay Koon
(Chairman & Independent
Non-Executive Director)

Dato' Ahmad Pardas Bin Senin
(Senior Independent
Non-Executive Director)

Dato' Azmi Bin Mohd Ali
(Non-Independent
Non-Executive Director)

TERMS OF REFERENCE

The TOR of the NRC are available online for reference in the Board of Directors' section of the Company's website at www.spsetia.com.

BOARD LEADERSHIP AND EFFECTIVENESS

NOMINATION AND REMUNERATION COMMITTEE REPORT

THE YEAR

The NRC met four (4) times during FY2018. Details of the NRC members' attendance at the NRC meetings held during FY2018 are disclosed on page 106 of this Integrated Report 2018. The summary of activities of the NRC during the FY2018 is as follows:

With regard to nomination and related matters

1. Reviewed and recommended to the Board, the KPIs for year 2018 of the President and CEO, Deputy President and COO, Chief Internal Auditor and Chief Risk Officer. The NRC has also reviewed the KPIs of other senior management team members.

2. Reviewed the setting up of the Job Evaluation Committee and Job Evaluation Framework. The NRC also plays the role of the Job Evaluation Committee for the President and CEO, Deputy President and COO, and EVPs of S P Setia.

3. Reviewed the performance of Directors who were subject to re-election at the 43rd Annual General Meeting of the Company held on 17 May 2018 (43rd AGM) and recommended to the Board, the re-election of Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin, Dato' Halipah binti Esa and Tengku Dato' Ab. Aziz bin Tengku Mahmud.

4. Reviewed and recommended to the Board, the remuneration policy of the Directors of subsidiary companies.

5. Reviewed the re-designation of Dato' Halipah binti Esa and Dato' Zuraidah binti Atan as Independent Non-Executive Directors of the Company.

   The NRC, having satisfied that Dato' Halipah binti Esa and Dato' Zuraidah binti Atan would be able to exercise independent judgment and act in the best interest of the Company, recommended to the Board, their re-designation as Independent Non-Executive Directors of the Company. Both Dato' Halipah binti Esa and Dato' Zuraidah binti Atan had also provided their respective confirmation that they met the requirements of Independent Directors as set out in the Listing Requirements.

6. Performed annual assessment of the composition of the Board and Board Committees to ensure continued effectiveness of the Board and Board Committees in carrying out its role and responsibilities, having regard to the mix of skills, experience, age, tenure of service, cultural and gender diversity, and the practices set out in the Malaysian Code on Corporate Governance (the Code). During the year, the NRC recommended to the Board, the changes to the composition of the NRC, AC and RMC to further strengthen the said Committees' composition.

   The NRC was of the view that the composition of the Board was well-balanced, taking into consideration the diversity of gender, mix of skills, qualification, experience and the level of contribution from each of the members to the respective committees. In view thereof, the NRC proposed the same to be maintained which was endorsed by the Board.

7. Reviewed and recommended to the Board, the amendments to the Board Charter, taking cognisance of the Step-up practices in the Code.

8. Facilitated the BEE and as part of the process, assessed the independence of the INEDs. The focus areas of the assessment included, inter alia, the Board and Board Committees' compositions, roles and responsibilities, time commitment, as well as the contribution of Directors during Board and Board Committees' meetings. The results of the BEE demonstrated that the Directors were satisfied with the performance of the Board and Board Committees in discharging their duties and responsibilities.

   In the BEE process, the NRC had also made recommendations to further improve the Directors' performance namely identifying training needs to assist the Directors to further upskill, enhance oversight function of the Board with regard to internal processes and risks, and succession planning for critical positions.

BOARD LEADERSHIP AND EFFECTIVENESS

NOMINATION AND REMUNERATION COMMITTEE REPORT

9. Reviewed the performance of the AC pursuant to Paragraph 15.20 of the Listing Requirements.

10. Took cognisance of trainings attended by the Directors on a half-yearly basis including and recommending suitable area of topics, if any.

    During the financial year, all Directors attended the necessary training programmes and seminars to further broaden their perspectives, skills and knowledge, and to keep abreast of the relevant changes in law, regulations and the business environment. The trainings attended by the Directors are set out on pages 117 to 120 of this Integrated Report 2018.

11. Kept abreast of the status of the integration of employees of I & P Group Sdn Berhad.

With regard to remuneration and related matters

1. Reviewed and recommended to the Board, the payment of annual bonus and salary increments for the President and CEO and eligible employees with reference to the KPIs and the Group's performance.

2. Approved the total allocations to the President and CEO, senior management and other eligible employees under the LTIP under the FY2018 grant of shares and options under the ESGP and ESOS in accordance with the LTIP By-Laws, respectively.

3. Benchmarked the remuneration practices of peers in the industry so as to ensure that the remuneration policy for the Non-Executive Directors of the Company remained competitive to attract, retain and motivate Directors, and to commensurate with the level of responsibility expected of the Directors.

   During FY2018, the Remuneration Framework of the Non-Executive Directors was as follows, which was approved by the shareholders at the 43rd AGM:

Description of Remuneration/Benefits	
Monthly Directors' Fees	Chairman of the Board – RM50,000 Member of the Board – RM12,000
Monthly Fixed Allowance	Chairman of Board Committee – RM3,000 Member of Board Committee – RM2,000

Description of Remuneration/Benefits	
Meeting Allowance	Board Member – RM1,500 per meeting Board Committee Member – RM1,500 per meeting
Allowance for membership on the board of directors of significant project/investment as appointed by the Board of the Company	RM5,000 per month
Other Benefits	Driver for Chairman, Directors' and Officers' Liability Insurance to indemnify the Directors and Officers of the Group, medical allowances, hospitalisation and travel insurance under the Group's insurance policies.

EFFECTIVE AUDIT AND RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

The Board is responsible for determining both the nature and extent of the Group's risk management framework and the risk appetite that is acceptable in seeking to achieve its strategic objectives. The framework and the ongoing process in place for identifying, evaluating and managing the principal risks faced by the Group are described on page 126 of the Integrated Report 2018. These are regularly reviewed by the Board.

The primary responsibility for operation of the Company's internal control and risk management systems, which extend to include financial, operational and compliance controls, has been delegated to Management. These systems have been designed to manage, rather than eliminate, the risk of failure to achieve the Group's business goals and can provide only reasonable, not absolute, assurance against material misstatement or loss.

INTERNAL CONTROL

The key elements of the Group's internal control are as follows:

- an established organisation structure with clear lines of responsibility, approval levels and delegated authorities.
- a disciplined management and committee structure which facilitates regular performance review and decision-making.
- review of financial performance during the monthly Group Action Committee meeting.
- various policies, procedures and guidelines underpinning the development, asset management, financing and main operations of the business, together with professional services support including legal, human resources, information services, tax, company secretarial and health, safety and security.
- a risk management and internal audit function whose work spans the whole Group.
- a focused post-acquisition review and integration programme to ensure the Group's governance, procedures, standards and control environment are implemented effectively and in a timely manner.
- a financial and property information management system.

RISK MANAGEMENT

The oversight role of risk management is carried out by the RMC and the Board. The RMC and the Board set the strategic direction for risk roles, responsibilities and reporting structure.

A periodic reporting to both the RMC and the Board on risk management activities is undertaken by management via the MRT.

Additionally, the MRT and RMC receive and discuss on a quarterly basis the following matters:

- the Group's risk register, including significant and emerging risks, and how exposures have changed during the period.
- summary reports and progress of the agreed action plans.

EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT

"The AC is responsible for upholding corporate governance best practices and the values and standards that drive our organisation. The Committee consistently ensures the integrity of our processes, policies and corporate reporting, most notably through the oversight of internal controls. The Committee also keeps abreast of developments in accounting standards.

The Committee remains dedicated to seeking further improvements in our controls and processes to ensure that stakeholder confidence in S P Setia remains steadfast and uncompromised."

Noraini Binti Che Dan
Chairman & Independent
Non-Executive Director

Members of the AC

Noraini Binti Che Dan
(Chairman & Independent Non-Executive Director)

Philip Tan Puay Koon
(Independent Non-Executive Director)

Dato' Zuraidah Binti Atan
(Independent Non-Executive Director)

OVERVIEW

The AC of S P Setia principally assists the Board in fulfilling its statutory and fiduciary responsibilities by overseeing the Group's management of financial risk processes, accounting and financial reporting practices, ensuring good corporate governance practices and adequacy of the Group's system of internal controls, providing oversight of both external and internal audit functions on behalf of the Board, as well as promoting a culture of adherence and compliance throughout the Group.

The AC has an independent Chairman, Puan Noraini Binti Che Dan, who is not the Chairman of the Board of S P Setia. She possesses the necessary skills, capabilities and attributes in ensuring AC Meetings are efficiently conducted by fostering open discussions with all members of the AC on the agenda items during meetings so as to facilitate thorough considerations to be paid to all the subject matters presented to the AC. The AC Chairman together with the AC members play an active role in engaging with the Management, CFO, Chief Internal Auditor (CIA), Group Financial Controller (GFC) and the External Auditors.

Puan Noraini Binti Che Dan is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

All the members of the AC are Independent Non-Executive Directors. The composition of the AC is in compliance with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Securities and Step-up Practice 8.4 of the Code. The profiles of the AC members are disclosed on page 35, 37 and 38 of this Integrated Report 2018.

TERMS OF REFERENCE

The TOR of the AC are available online for reference in the Board of Directors' section of the Company's website at www.spsetia.com.

EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE AC DURING THE YEAR

The AC met four (4) times during FY2018. The President and CEO, Deputy President and COO, CFO, GFC, CIA and External Auditors attended the meetings, where applicable, along with the AC members.

Details of the AC member's attendance at the AC meetings held during FY2018 are disclosed in page 106 of this Integrated Report 2018.

The activities of the AC for FY2018 with regard to matters relating to the financial statements of the Company and External Auditors were as follows:

(a) Reviewed the unaudited quarterly financial results, including its related Bursa Securities' announcements and press statements, the consolidated audited year financial statements of the Company and the Group, prior to recommending the same to the Board of the Company for approval, focusing particularly on:

- the overall performance of S P Setia Group, which included amongst others, sales, method of recognition of revenue and profit, land held for property development, the Group's investment properties, cashflow position, amount of receivables and payables and level of gearing;
- the prospects for the Group;
- the changes and implementation of major accounting policies and practices and the auditor's report highlighting the key audit matters and the implications on the Group;
- compliance with accounting standards and other legal requirements; and
- significant accounting and audit matters raised by the External Auditors in the financial statements and the corresponding judgement made by the Management.

(b) On the matter pertaining to dividends, reviewed and deliberated on the solvency test to ensure it demonstrated the Company's ability to meet its financial obligations pursuant to the Companies Act 2016, including the availability of the dividend reinvestment plan.

(c) Discussed significant accounting and audit issues in respect of the financial statements of the Group for the financial year ended 31 December 2017 with the External Auditors and assessed the actions and procedures taken by the External Auditors in respect of those areas.

(d) Reviewed performance of the External Auditors, guided by the External Auditors Policy and independence assessment of the External Auditors, and recommended their re-appointment to the Board. The annual assessment was done with the Group Finance Department via a questionnaire where the performance of the External Auditors was rated according to a five-point scale. Areas of the performance review included the quality of service rendered, sufficiency of resources, level communication and interaction by the audit team and independence, objectivity and professionalism of the audit team. Upon the conclusion of the audit, the External Auditors reconfirmed to the AC their independence in carrying out the audit of the financial statements of the Company for the financial year ended 31 December 2017 vide the report of audit results submitted to the AC as well confirmation obtained at the AC Meeting.

The Board had recommended the re-appointment of Messrs Ernst & Young as External Auditors of the Company for the financial year ended 31 December 2018 at the Company's 43rd AGM, which was approved by the shareholders.

(e) Held two (2) private sessions with the External Auditors on 26 February 2018 and 13 November 2018 without the presence of the Management to discuss relevant issues and obtain feedback for improvements. There were no areas of concern that warranted escalation to the Board.

(f) Received the declaration of independence by the External Auditors in respect of the audit for FY2018.

(g) Reviewed the amount of audit and non-audit fees paid or payable by the Company and its subsidiaries to the External Auditors and their affiliated companies for FY2018 and recommended the amount to the Board for approval. The total amount of audit and non-audit fees for FY2018 were compared against the previous year and any increase or decrease in fees was appropriately justified by the Management, taking into consideration the implementation of the MFRS framework, level of activities of the Group, inflationary factors and reference to the fees payable by other companies in the same industry. The accumulated fees quoted for non-audit services were within the allowable set threshold.

EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT

(h) Reviewed the impact of the adoption of the MFRS framework, namely on MFRS 9 and 15 and the adoption of MRFS 16 for recommendation to the Board for approval.

(i) Reviewed the impact and key effects on the addendum to the Financial Reporting Standards Implementation Committee Consensus 17 on the provision for foreseeable losses on the development of affordable housing.

The activities of the AC for FY2018 with regard to the matters relating to internal audit function, internal controls and operations were as follows:

(a) Reviewed the internal audit reports prepared by the Internal Auditors of the Group and provided constructive feedback in ensuring the adequacy and effectiveness of the internal control system of the Group. Where appropriate, the AC had directed the Management to rectify and improve control procedures. The AC also monitored the progress of the agreed action plans taken by Management to close the audit findings.

(b) Reviewed the resource requirement, manpower sufficiency, adequacy of the scope of internal audit function and was involved in the setting of the KPIs of the CIA.

(c) Reviewed the internal audit reports of the audit conducted on an associate company of the Group, presented by the CIA.

(d) Reviewed the internal audit plan for 2019.

(e) Reviewed the AC Report and Statement of Risk Management and Internal Control for inclusion in the Annual Report 2017.

(f) Reviewed the related party transactions, taking into account the nature and underlying details of the transactions, to establish that the transactions were on normal commercial terms and not to the detriment of minority shareholders, and made its recommendation to the Board for approval.

The AC member who was deemed to have an interest in the related party transactions had abstained from discussion and voting on the transactions.

(g) Reviewed the procedures for recurrent related party transactions for purposes of ensuring that the processes and controls were in place to ensure that recurrent related party transactions were not more favourable to the related parties than those generally available to the public and were not to the detriment of minority shareholders.

(h) Kept abreast of the status of the Audit Findings Letter issued by the Malaysian Inland Revenue Board to the Group and deliberated on the proposed actions plans to be taken as advised by the appointed tax solicitors.

(i) Reviewed and verified the share option allocations for the ESOS and ESGP under the Company's LTIP for the FY2017 award that was confirmed by the External Auditors. The AC was satisfied that the allocation of the share option was in compliance with the LTIP By-Laws.

INTERNAL AUDIT FUNCTION

The internal audit function is performed by Group Internal Audit (GIA), an in-house function, who is an independent, effective and integral part of the assurance framework. The mission of GIA is to enhance and protect Group's organisational value by providing risk-based and objective assurance, advice and insight. It helps the Group to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance process. GIA reports directly to the AC.

GIA carries out its review based on the approved annual audit plan, focusing on the key controls of significant risks to the Group. During the FY2018, GIA has carried out the following activities:

(a) Performed audit engagements which covered reviews of internal control systems, management information systems, risk management and governance compliances.

(b) Pursuant to the audit engagements, internal audit reports were issued and tabled to the AC and Management in which significant risk and key areas of concerns were identified, together with their recommendations for improvements.

EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT

(c) Performed follow-up procedures on the implementation of agreed upon action plans to ensure that necessary actions have been taken/are being taken as recommended.

(d) Reported to the AC on review of the adequacy, appropriateness and compliance with the procedures established in relation to recurring related third parties' transactions in accordance with the guidelines set out in the Circular to Shareholders dated 18 April 2018.

(e) Performed review on the progress of streamlining I & P into S P Setia's system of internal controls framework to ensure gaps are addressed on a timely basis and identified improvement opportunities in enhancing S P Setia's system of internal control framework.

(f) Reviewed on an ad-hoc basis areas where there were concerns that affected financial reporting, internal controls and governance. In an effort to provide value-added services, GIA also provided additional assurance and advisory services to BUs upon request by the Management in relation to compliance, governance, risk management and internal controls.

(g) Reviewed and assessed the Whistleblowing Reports to ensure that all reported cases were thoroughly investigated and appropriate actions were taken to address all concerns raised. There were no reports on fraud and irregularities during the year.

The total cost incurred for internal audit function for FY2018 was approximately RM3.9 million.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

EFFECTIVE SHAREHOLDER COMMUNICATION

The Company values the importance of having effective communication with its shareholders and investors.

Information disseminated is clear, relevant and comprehensive, timely and is readily accessible by all stakeholders. Effective communication channels with the Company's shareholders, stakeholders and the public are maintained through the dissemination of press releases, press conferences, timely announcements and disclosures made to Bursa Securities.

The Company's Investor Relation Department plays an important role in providing ongoing updates on the Group's development activities and conducting regular dialogues and discussions with fund managers, financial analysts, shareholders and the media. These meetings provide a vital avenue and direct channel of communication where financial analysts and institutional fund managers can gain a better understanding of the businesses and direction of the Group; enter into constructive dialogues and discussions based on the mutual understanding of objectives; and where relevant feedback is factored into the Company's business decisions. The media are also invited to attend the Company's major events and property launches where briefings are given on the relevant projects. Currently, the Company is covered by 18 local and foreign research houses and brokerages. The Company will continue to participate in investor conferences/ roadshows locally and abroad.

A press conference is held after the conclusion of each AGM or Extraordinary General Meeting (EGM) and is attended by the Chairman, President and CEO, Deputy President and COO and CFO to keep the investing public abreast of the outcome of the meetings. At the same forum, the President and CEO also clarifies issues which the media may have with regard to the performance of S P Setia Group and its corporate developments. Led by the President and CEO, briefings on the financial results and Group update are convened twice a year with the objective of updating the analysts and fund managers of the Group's performance. In addition, the Senior Managements on a regular basis also meet up with the analysts and fund managers as well as hosting the site visits to our projects to provide better understanding of the Group's ongoing developments.

These are among the initiatives carried out by the Management as part of the continuous engagement programme to keep the relevant stakeholders apprised on the business development and financial performance of the Group.

GENERAL MEETINGS

The Company's General Meetings remain the principal forums for dialogue and communication with shareholders, in particular, private investors. Shareholders are encouraged to attend general meetings of the Company and given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

and possible concerns. Presentations will also be given by the President and CEO to brief shareholders on project updates or proposals for which the approval of shareholders is being sought. All Board members, Senior Management and the Group's external auditors as well as the Company's advisers are available to respond to shareholders' questions during the general meetings of the Company as the case may be.

The Annual Report 2017 containing the Notice of the 43rd AGM dated 18 April 2018 was dispatched to all the shareholders 28 days prior to the AGM. Where necessary, explanatory notes were provided in the notice with the objective of providing shareholders with the relevant background information pertaining to the resolutions tabled for approval.

The Company held its General Meetings at the time and venue which were convenient and easily accessible to shareholders. General Meetings of the Company remain important avenues for the Board and Management to have better and deeper engagement with the shareholders present.

Only shareholders whose names appear in the Record of Depositors as at the date determined by the Company in accordance with the Company's Constitution are entitled to attend and vote at the General Meetings. Shareholders who are unable to attend are entitled to appoint proxy(ies) to attend and vote at the General Meetings. So far, the shareholders' turnout whether in person or proxies, at the general meetings of the Company in 2018 was satisfactory as they represented a significant percentage of the Company's issued share capital.

At the 43rd AGM, the President and CEO of the Company presented to the shareholders present the updated financial performance of the Group so as to ensure that the shareholders present were properly briefed prior to the voting process. The voting by poll undertaken by the Company further the underscored the recognition of the principle of one vote one share.

CORPORATE DISCLOSURE

Corporate Disclosure Policy

The Company is committed to ensuring that all information such as corporate announcements, circulars to shareholders and financial results are disseminated to the general public in a timely and accurate manner.

The Company's quarterly interim and full-year audited financial results are released within two (2) months from the end of each quarter/financial year and the Annual Report, which remains a key channel of communication, is published within four (4) months following the financial year-end. The Annual Report is not merely a factual statement of financial information and performance of the Group; it provides an insightful interpretation of the Group's performance, operations, and other matters affecting shareholders' interest. It is hoped that such insights will allow shareholders and investors to make more informed investment decisions based not only on past performance but also the future direction of the Group.

INFORMATION TECHNOLOGY

Leverage on Information Technology for Effective Dissemination of Information

The Group maintains a website that serves as a forum for the general public to have access to information on its latest developments. Corporate presentations, annual reports, corporate announcements and financial information utilised during analyst and fund manager briefings are also available on the Company's website.

SUSTAINABILITY

Strategies that Promote Sustainability

S P Setia is committed to incorporating corporate responsibility practices in our business activities. Sustainability is embedded both in the way the business is run and how our products are designed and delivered. The scope of the Sustainability Statement covers S P Setia's operations in Malaysia, Singapore and Australia during the reporting period January 2018 to December 2018.

As part of its role, the Board provides oversight of key non-financial risks, opportunities and challenges that are currently being faced by the organisation as well as future prospects with regards to sustainability practices. Management is tasked to balance economic, social and environmental responsibilities in business activities.

For a full disclosure on S P Setia's engagement in the area of corporate responsibility, see our Sustainability Statement, page 76 of this Integrated Report 2018.

COMPLIANCE STATEMENT

This Statement is made in accordance with a resolution of the Board dated 28 February 2019. The Corporate Governance Report in the prescribed format is available on www.spsetia.com.

DIRECTORS' TRAINING

TAN SRI DATO' SERI DR. WAN MOHD ZAHID BIN MOHD NOORDIN

No.	Course/Seminar
1.	Changes in the Listing Requirements Post-Companies Act 2016: What To Look Out For
2.	Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance Reporting & Corporate Governance Guide
3.	How Innovation is Changing Leadership
4.	Forum on "Teacher Training – Then and Now"
5.	In-house briefing on: • Integrated Reporting
6.	Advocacy Programme on CG Assessment Using the Revised ASEAN CG Scorecard Methodology
7.	Sustainability Engagement Series for Directors/Chief Executive Officers
8.	Khazanah Megatrends Forum 2018
9.	Seminar Pendidikan Berasaskan Nilai: Memperkasa Pendidikan Tinggi Berteraskan Falsafah Pendidikan Kebangsaan

DATO' KHOR CHAP JEN

No.	Course/Seminar
1.	In-house briefing on: • Integrated Reporting • Performance Management System
2.	Transformation Coaching
3.	Data Loss Prevention Program: Introduction Workshop in Managing Business Data
4.	Advocacy Programme on CG Assessment using the revised ASEAN CG Scorecard Methodology
5.	CEO Series 2018 – Annual Property Developer Conference
6.	In-house briefing on: • Sales and Services Tax
7.	Housing Conference 2018 – Housing in An Era of Change : A New Direction
8.	Setia Risk Forum 2018
9.	REHDA Selangor Housing Convention "Policies & Regulatory Updates Impacting the Housing Industry"
10.	Dasar Rumah Negara Workshop

DATO' AHMAD PARDAS BIN SENIN

No.	Course/Seminar
1.	MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure
2.	Changes in the Listing Requirements Post-Companies Act 2016: What To Look Out For
3.	In-house briefing on: • Integrated Reporting • Performance Management System
4.	In-house briefing on: • Sales and Services Tax
5.	Setia Risk Forum 2018
6.	Power Talk: Would a Business Judgement Rule help Directors to Sleep Better at Night?

DIRECTORS' TRAINING

DATO' HALIPAH BINTI ESA

No.	Course/Seminar
1.	World Capital Markets Symposium 2018
2.	PNB CEO Round Table 2018
3.	In-house briefing on: • Integrated Reporting • Performance Management System
4.	5th ASEAN Fixed Income Summit
5.	MISC Annual Directors' Training for 2018
6.	Power Talk: Would a Business Judgment Rule Help Directors Sleep Better at Night?

DATO' SERI IR. HJ. MOHD NOOR BIN YAACOB

No.	Course/Seminar
1.	In-house briefing on: • Integrated Reporting • Performance Management System
2.	Corporate Directors Conference 2018
3.	In-house briefing on: • Sales and Services Tax

TENGKU DATO' AB. AZIZ BIN TENGKU MAHMUD

No.	Course/Seminar
1.	MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure
2.	Business Continuity Management – Business Impact Analysis Workshop
3.	Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance Reporting & Corporate Governance Guide
4.	PNB Cyber and Information Security Awareness Seminar for Senior Management
5.	Business Continuity Management Workshop Phase 2 – Departmental Business Continuity Plan
6.	PNB Capability Building Workshop
7.	In-house briefing on: • Integrated Reporting • Performance Management System
8.	Seminar on Latest Amendment of Strata Titles and Strata Management Act
9	Corporate Exercise and Asset Pricing in Malaysia
10.	In-house briefing on: • Sales and Services Tax
11.	Corporate Exercise & Asset Pricing in Malaysia (Renegotiation and Re-Contracting)
12.	PNB World Mental Health Day 2018
13.	CTBUH International Conference 2018 ***"Polycentric Cities: The Future of Vertical Urbanism"***
14.	YTI Memorial Lecture "Redefining Financial Integrity" and PNB Book Launch "In Trust: A History of PNB"
15.	Breakfast Series: "Non-Financials – Does It Matter"

DIRECTORS' TRAINING

DATO' ZURAIDAH BINTI ATAN

No.	Course/Seminar
1.	MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure
2.	Islamic Finance Training: Tawarruq
3.	Islamic Finance Training: Value Based Intermediation (VBI)
4.	Zakat (Corporate)
5.	In-house briefing on: • Sales and Services Tax
6.	Corporate Tax Training
7.	An Overview of Investment Intermediation

NORAINI BINTI CHE DAN

No.	Course/Seminar
1.	Briefing on Information Technology (IT) Roadmap and Digital Journey
2.	Navigation the VUCA World by Professor Tan Sri Dato' Dr. Lin See-Yan
3.	Focus Group Discussion in Preparation for the 5th BNM-FIDE FORUM Annual Dialogue with the Governor: • Session 1 – For the Banking Industry • Session 2 – For the Insurance & Takaful Industries
4.	5th BNM-FIDE FORUM Annual Dialogue with the Deputy Governor of BNM
5.	Board Development Programme 2018: Strategic Investment
6.	Business Foresight Forum Disruption and Collaborations: The Rise of Capital Market Businesses 4.0
7.	Credit Risk Management Banking Sector
8.	Conference of The Electric Power Supply Industry
9.	Information Security Awareness and IT Security Talk
10.	In-house briefing on: • Sales and Services Tax
11.	Khazanah Forum on Balance Recalibrating Markets, Firms, Society and People

DIRECTORS' TRAINING

PHILIP TAN PUAY KOON

No.	Course/Seminar
1.	MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure
2.	Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance Reporting & Corporate Governance Guide
3.	In-house briefing on: • Integrated Reporting • Performance Management System
4.	In-house briefing on: • Sales and Services Tax
5.	Breakfast Series: "Non-Financials – Does It Matter"
6.	Managing Cyber Risks in Financial Institutions
7.	World Capital Markets Symposium 2018
8.	Money 2020 Asia 2018
9.	Iclif Accelerate Workshop: Be The Change
10.	SEACEN Policy Summit on Cryptocurrencies and Central Banking
11.	Cambridge Summer School Programme: Creating Resilience from Disruption in Today's Banks
12.	Global Payments Summit 2018
13.	Khazanah Megatrends Forum 2018
14.	SIBOS 2018 Sydney
15.	Open Source Innovator

DATO' AZMI BIN MOHD ALI

No.	Course/Seminar
1.	Terralex Asia Pacific Regional Meeting - Issues in dealing with Crypto Currencies - Issues and latest developments in Fintech in Asia Pacific - Session on One Belt One Road
2.	PNB CEO Roundtable 2018 - Research on Purposeful Leadership - PNB Leadership Realty & Panel Discussion
3.	Talk by Professor Bill Fisher on "How Innovation is Changing Leadership"
4.	In-house briefing on: • Integrated Reporting • Performance Management System
5.	Board of Directors Training Programme – Leadership Commitment Towards Risk Management & Corporate Governance
6.	Internal Briefing Session on "Blockchain: Application and Issues"
7.	Reinventing the Asian Conglomerate
8.	YTI Memorial Lecture "Redefining Financial Integrity"
9.	Talk on "Usage of Apps for the Advancement of Legal Practice, Learning from the Practical Experience of First Law International"
10.	Executive Briefing Session on "Recent Developments in English Contract Law"

>> Additional Compliance Information

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

The proceeds raised under the following fund raising have been utilised in the following manner:

(1) Rights Issue of Islamic Redeemable Convertible Preference Shares of RM0.01 each which was completed on 6 December 2016 amounting to RM1,127,625,002:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Deviation (%)	Explanations (if the deviation if 5% or more)
Existing projects and general working capital requirements of our Group	300,000	300,000	Within 18 months	-	-
Future development projects and expansion plans	826,025	826,025	Within 36 months	-	-
Estimated expenses for the Rights Issue	1,600	1,223	Within one (1) month	23.6	*
TOTAL	**1,127,625**	**1,127,248**			

Note:
** The expenses relating to the Rights Issue include professional fees, fees payable to the relevant authorities, printing and other miscellaneous charges. The surplus of proceeds that have not been used for such expenses has been reallocated for working capital purposes.*

(2) Rights Issue of Class B Islamic Redeemable Convertible Preference Shares of RM0.01 each which was completed on 29 December 2017 amounting to RM2,133,247,915:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Deviation (%)	Explanations (if the deviation if 5% or more)
Part finance the acquisition of I & P Group	2,000,000	2,000,000	Within six (6) months	-	-
New and ongoing property development projects	117,000	117,000	Within 36 months	-	-
General working capital requirements	6,248	6,248	Within 36 months	-	-
Estimated expenses for the acquisition of I & P Group and rights issue of shares and RCPS-i B	10,000	9,449	Within six (6) months	5.51	*
TOTAL	**2,133,248**	**2,132,697**			

Note:
** The expenses relating to the Rights Issue include professional fees, fees payable to the relevant authorities, printing and other miscellaneous charges. The surplus of proceeds that have not been used for such expenses has been reallocated for working capital purposes.*

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable by the Company and its subsidiaries to the external auditors of the Company and their affliates for FY2018 are as follows:

	Group RM '000	Company RM '000
Fees for statutory audits - current year		
- Ernst & Young, Malaysia	1,869	140
- member firms of Ernst & Young Global	379	-
Other non-audit services		
- Ernst & Young, Malaysia	265	33

The amount of non-audit fees incurred for the services rendered to the Company and the Group by its external auditors, Messrs Ernst & Young and its member firms of Ernst & Young Global for the financial year ended 31 December 2018 are RM264,850 and RM33,000 respectively.

Services rendered by Messrs Ernst & Young were not prohibited by regulatory and other professional requirements, and are based on globally practised guidelines on auditors independence. Messrs Ernst & Young was engaged in these non-audit services based on their expertise and experience on the subject matter.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year except as disclosed in Note 40 of the financial statements.

RECURRENT RELATED PARTY TRANSACTIONS

At the 43rd AGM of the Company held on 17 May 2018, the Company had obtained the approval from its shareholders for the renewal of the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business, with related parties.

The said mandate took effect on 17 May 2018 and will continue until the conclusion of the forthcoming AGM of the Company.

At the forthcoming AGM to be held on 16 May 2019, the Company intends to seek its shareholders' approval to renew the existing mandate for recurrent related party transactions of a revenue or trading nature. The details of the shareholders' mandate to be sought will be furnished in the Circular to Shareholders dated 17 April 2019 attached to this Integrated Report 2018.

EMPLOYEE SHARE SCHEME

During FY2018, the Company issued ordinary shares (Shares) and options under the ESGP and ESOS respectively, pursuant to the LTIP. Further information on the ESGP and ESOS is set out in the Directors' Report and Note [*] of the Annual Audited Financial Statements for FY2018 in this Integrated Report 2018.

Brief details on the number of Shares and options granted, vested and outstanding since the commencement of the LTIP on 10 April 2013 and from FY2013 to FY2018 are set out in the table below:

For the period of 10 April 2013 to 31 October 2013	Total	Executive Director/CEO	Senior Management	Other Entitled Employees
ESGP				
Number of Shares granted ('000)	17,035	896	3,354	12,785
Number of Shares vested ('000)	-	-	-	-
Number of Shares lapsed ('000)	(521)	-	-	(521)
Number of Shares outstanding as at 31 October 2013 ('000)	**16,514**	**896**	**3,354**	**12,264**

For the period of 10 April 2013 to 31 October 2013	Total	Executive Director/CEO	Senior Management	Other Entitled Employees
ESOS				
Number of Options granted ('000)	80,864	25,600	55,264	-
Number of Options exercised ('000)	-	-	-	-
Number of Options lapsed ('000)	-	-	-	-
Number of Options outstanding as at 31 October 2013 ('000)	**80,864**	**25,600**	**55,264**	**-**

For the period from 1 November 2013 to 31 October 2014	Total	Executive Director/CEO	Senior Management	Other Entitled Employees
ESGP				
As at 1 November 2013 ('000)	16,514	896	3,354	12,264
Number of Shares granted ('000)	13,110	300	2,608	10,202
Number of Shares vested ('000)	(4,064)	(203)	(759)	(3,102)
Number of Shares lapsed ('000)	(5,145)	(505)	(1,166)	(3,474)
Number of Shares outstanding as at 31 October 2014 ('000)	**20,415**	**488**	**4,037**	**15,890**
ESOS				
As at 1 November 2013 ('000)	80,864	25,600	55,264	-
Number of Options granted ('000)	3,312	-	3,312	-
Number of Options exercised ('000)	(9,311)	(4,800)	(4,511)	-
Number of Options lapsed ('000)	(27,193)	(12,800)	(14,393)	-
Number of Options outstanding as at 31 October 2014 ('000)	**47,672**	**8,000**	**39,672**	**-**

For the period from 1 November 2014 to 31 December 2015	Total	Executive Director/CEO	Senior Management	Other Entitled Employees
ESGP				
As at 1 November 2014 ('000)	20,415	488	4,037	15,890
Number of Shares granted ('000)	8,825	160	1,643	7,022
Number of Shares vested ('000)	(6,832)	(191)	(1,446)	(5,195)
Number of Shares lapsed ('000)	(3,745)	-	(1,391)	(2,354)
Number of Shares outstanding as at 31 December 2015 ('000)	**18,663**	**457**	**2,843**	**15,363**
ESOS				
As at 1 November 2014 ('000)	47,672	8,000	39,672	-
Number of Options granted ('000)	15,500	-	15,500	-
Number of Options exercised ('000)	(7,380)	-	(7,380)	-
Number of Options lapsed ('000)	(11,439)	-	(11,439)	-
Number of Options outstanding as at 31 December 2015 ('000)	**44,353**	**8,000**	**36,353**	**-**

For the period from 1 January 2016 to 31 December 2016	Total	Executive Director/CEO	Senior Management	Other Entitled Employees
ESGP				
As at 1 January 2016 ('000)	18,663	457	2,843	15,363
Number of Shares granted ('000)	5,429	150	1,141	4,138
Number of Shares vested ('000)	(9,129)	(247)	(1,883)	(6,999)
Number of Shares lapsed ('000)	(664)	-	(53)	(611)
Number of Shares outstanding as at 31 December 2016 ('000)	**14,299**	**360**	**2,048**	**11,891**
ESOS				
As at 1 January 2016 ('000)	44,353	8,000	36,353	-
Number of Options granted ('000)	9,586	1,600	7,986	-
Number of Options exercised ('000)	(1,703)	-	(1,703)	-
Number of Options lapsed ('000)	(450)	-	(450)	-
Number of Options outstanding as at 31 December 2016 ('000)	**51,786**	**9,600**	**42,186**	**-**

For the period from 1 January 2017 to 31 December 2017	Total	Executive Director/CEO	Senior Management	Other Entitled Employees
ESGP				
As at 1 January 2017 ('000)	14,299	360	2,048	11,891
Number of Shares granted ('000)	15,339	300	2,500	12,539
Number of Shares vested ('000)	(7,427)	(204)	(1,404)	(5,819)
Number of Shares lapsed ('000)	(1,083)	-	(128)	(955)
Number of Shares outstanding as at 31 December 2017 ('000)	**21,128**	**456**	**3,016**	**17,656**
ESOS				
As at 1 January 2017 ('000)	51,786	9,600	42,186	-
Number of Options granted ('000)	142,889	15,518	114,575	12,796
Number of Options exercised ('000)	(2,370)	-	(2,370)	-
Number of Options lapsed ('000)	(1,371)	-	(893)	(478)
Number of Options outstanding as at 31 December 2017 ('000)	**190,934**	**25,118**	**153,498**	**12,318**

For the period from 1 January 2018 to 31 December 2018	Total	Executive Director/CEO	Senior Management	Other Entitled Employees
ESGP				
As at 1 January 2018 ('000)	21,128	456	3,016	17,656
Number of Shares granted ('000)	16,969	300	3,026	13,643
Number of Shares vested ('000)	(10,728)	(254)	(2,063)	(8,411)
Number of Shares lapsed ('000)	(1,401)	-	(87)	(1,315)
Number of Shares outstanding as at 31 December 2018 ('000)	**25,968**	**502**	**3,892**	**21,573**
ESOS				
As at 1 January 2018 ('000)	190,934	25,118	153,498	12,318
Number of Options granted ('000)	18,665	-	16,112	2,553
Number of Options exercised ('000)	(1,018)	-	(1,018)	-
Number of Options lapsed ('000)	(3,588)	-	(3,137)	(451)
Number of Options outstanding as at 31 December 2018 ('000)	**204,993**	**25,118**	**165,455**	**14,420**

Maximum Allowable Allocation of the LTIP

Based on the LTIP By-Laws, the aggregate number of Shares comprised in the LTIP Awards to be awarded to a selected person in accordance with the LTIP shall be determined at the discretion of the NRC subject to the following:

i. The total number of new Shares made available under the LTIP shall not exceed 15% of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at the point in time when an LTIP Award is offered; and

ii. Not more than ten percent (10%) of the total new Shares to be issued under the LTIP at the point in time when an LTIP Award is offered be allocated to any individual Selected Person who, either singly or collectively through persons connected with him, holds twenty per cent (20%) or more in the issued and paid-up share capital of the Company (excluding treasury shares, if any).

As of 31 December 2018, 19% of the Shares granted pursuant to the ESGP (excluding number of shares lapsed) has been granted to the Executive Director/CEO and Senior Management since the commencement of the LTIP up to FY2018.

Options under the ESOS were granted to the Executive Director/President and CEO, Senior Management and other eligible employees of the Company during FY2018.

>> Statement on Risk Management and Internal Control

S P Setia continues to evaluate the changing policy landscape and monitors legislative and regulatory changes to proactively mitigate risks, benefit from any opportunities and remain competitive.

The Board of Directors (Board) of S P Setia is committed in maintaining a sound internal control and risk management system. Each BU has implemented its own control processes under the leadership of the President and CEO, who is responsible for good business and regulatory governance.

The Statement on Risk Management and Internal Control was prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements (Main LR) and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the Guidelines).

BOARD RESPONSIBILITY

The Board upholds its commitment and responsibility for the Group's risk management and internal control systems covering not only financial controls but also strategic, operational, compliance to regulatory requirements, as well as ensuring the adequacy and effectiveness of these systems.

The implementation of these control systems is undertaken by the Management, who regularly reports on key risks identified and actions taken to mitigate and/or minimise such risks. The oversight of these critical areas is carried out by the RMC and AC, which comprise Board members.

The Group's risk management and internal control systems are designed to efficiently and effectively manage risks that may prevent the achievement of the Group's business objectives, and to provide information for accurate reporting, decision making, and ensuring compliance with regulatory and statutory requirements.

The Board also ensures that there is a robust framework of ongoing risk management processes in identifying, evaluating, and managing significant risks faced by the Group to promote the long-term success of the Company. The design of these systems has been recognised to manage and mitigate, rather than eliminate the risks which have been identified and reassessed by the Management.

ENTERPRISE RISK MANAGEMENT

The Group has established an Enterprise Risk Management (ERM) Framework to proactively identify, evaluate, and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this ERM framework aims to provide an integrated and organised approach group-wide. It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO 31000:2018 Risk Management, primarily promoting the risk ownership and continuous monitoring of key risks identified.

The Group's ERM Framework is summarised as follows:

ERM INFRASTRUCTURE

Vision/Mission

Governance Structure

Board/Management Mandate

ERM Policies

ERM Reporting Structure and Frequency

ERM Roles and Responsibilities

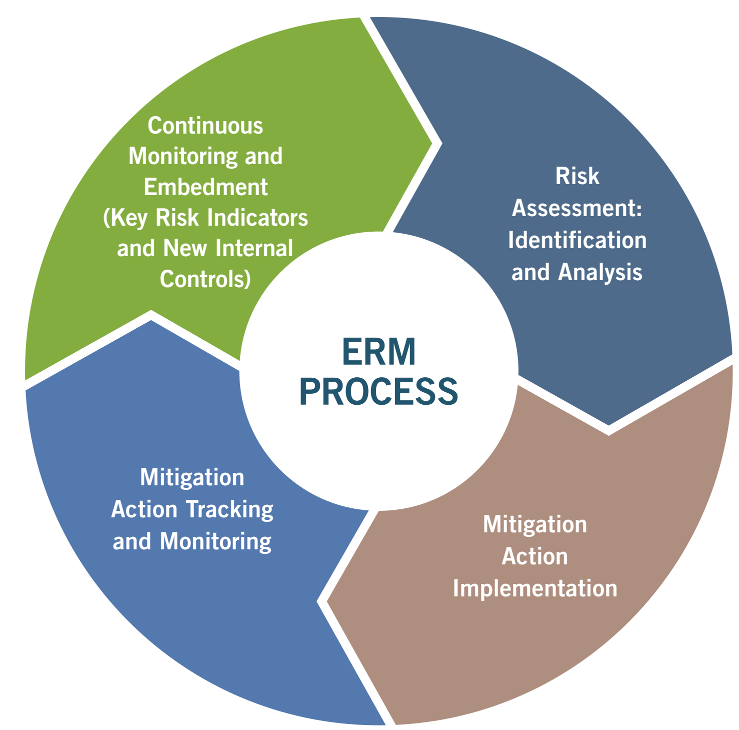
Risk Parameters

ERM Procedures

(ISO 31000:2018)

Automation

ENTERPRISE RISK MANAGEMENT FRAMEWORK



ERM INTEGRATION

Strategic Planning

Budgeting

Policy Development

Product Development

Investment and Joint Ventures

Decision-making

Performance Management

Operational Processes

Incident Data Analysis

ERM EDUCATION

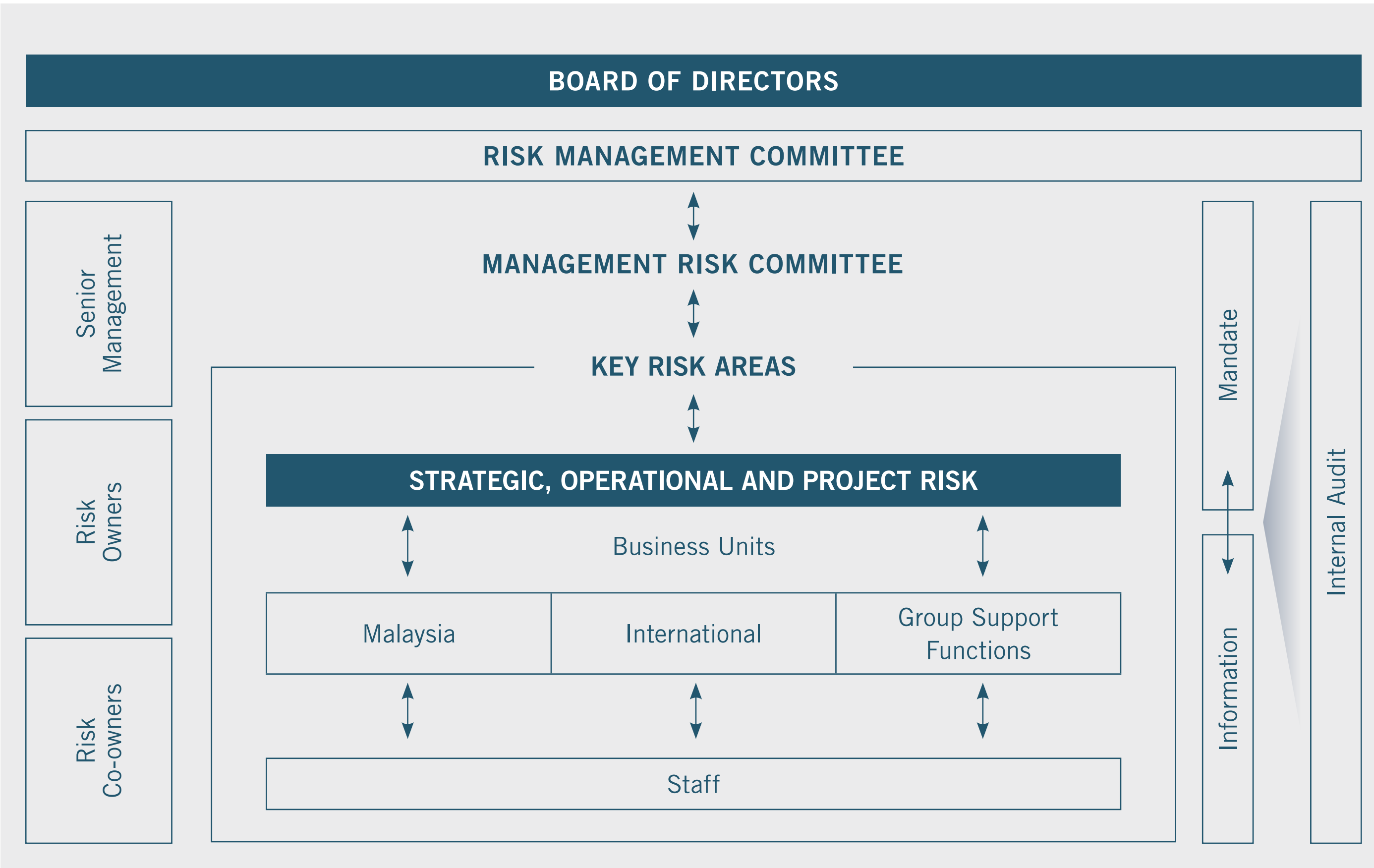
Awareness/Sharing Sessions | **Continuous Education** | **Competency Assessment** | **Change Management**

a. Risk Management Oversight

The oversight role of risk management is carried out by the RMC and the Board. The mandate and commitment from RMC and the Board are the key success factors in the implementation of the ERM programmes. The RMC and the Board set the strategic direction for risk roles, responsibilities and risk reporting structures. The periodic reporting to both the RMC and the Board on risk management activities is undertaken by Management via the MRT, which keeps the RMC and the Board apprised with respect to the Group's key risk areas and risk trends.

The MRT comprises key members of the Senior Management and is chaired by the President and CEO. The MRT maintains the risk oversight within the Group at the management level, as outlined in the ERM Framework.

The ERM Reporting structure below illustrates the Board and Management's participation in ensuring effective ERM communication and implementation:



The MRT is assisted by the Group Risk Management function (GRM), whose primary role is to ensure effective implementation of the ERM and business continuity management framework, programmes, and risk-related education across the Group; and the provision of independent and objective assessment of key risks as well as timely reporting to the MRT, RMC and the Board.

b. Risk Management Policy

The Board recognises that inherent risks are present in the normal course of the Group's core businesses, presenting both threats and opportunities. The ERM policy has been developed to ensure effective implementation of the enterprise risk management framework which is consistent with the Group's aspirations in achieving its corporate objectives and meeting shareholder expectations. The following risk policy provides guidance on the management of risks and applies across all BUs:

- To manage risk proactively;
- To manage both negative and positive risks;
- To manage risks pragmatically to an acceptable level, given the particular circumstances of each situation;
- To ensure that risk assessment is performed and that the process is embedded in the system;
- To manage risk routinely and in an integrated and transparent manner in accordance with good governance practices; and
- To require that an effective and formalised risk management framework is established and maintained by S P Setia.

c. Risk Reporting

The Group's ERM Framework provides for regular review and reporting. The reports include the risk profiles, risk action plans, and status updates. During the year under review, these reports were presented on a quarterly basis and deliberated by the MRT, RMC and the Board.

d. Risk Management Activities

As part of the Group's effort to instil a proactive risk management culture and ownership the following activities were undertaken during the year under review:

- The rollout of a comprehensive ERM Education Programme which includes ERM technical briefings/ trainings, awareness and refresher sessions.
- On 14 November 2018, Group Risk Management Division organised the Setia Risk Forum 2018 for Senior Management, their deputies and risk and business continuity officers.
- Held discussions with Heads of BUs to obtain endorsement on key risk areas;
- Provided risk advisory and independent assessment as well as facilitated 27 workshops across the Group;
- Refinement of the risk depository system to enhance risk tracking and monitoring;
- Enhancement of the Business Continuity Management (BCM) programme for the Group; and
- In 2018, we expanded the BCM programme to other BUs namely Setia Precast Sdn Bhd, Niche Development Division and Property North in Penang. In total, 26 Business Impact Analysis (BIAs) have been reviewed and a live simulation test was conducted on 27 November 2018 on the Business Continuity Plan (BCP) for S P Setia Headquarters, to ensure that the Group remains resilient in times of crisis.

Setia RISK FORUM 2018
Embedding the Enterprise Risk Management Culture

These efforts formed part of the Group's initiative in communicating and ensuring effective application of ERM in the day-to-day business operations.

MANAGING S P SETIA'S KEY RISKS

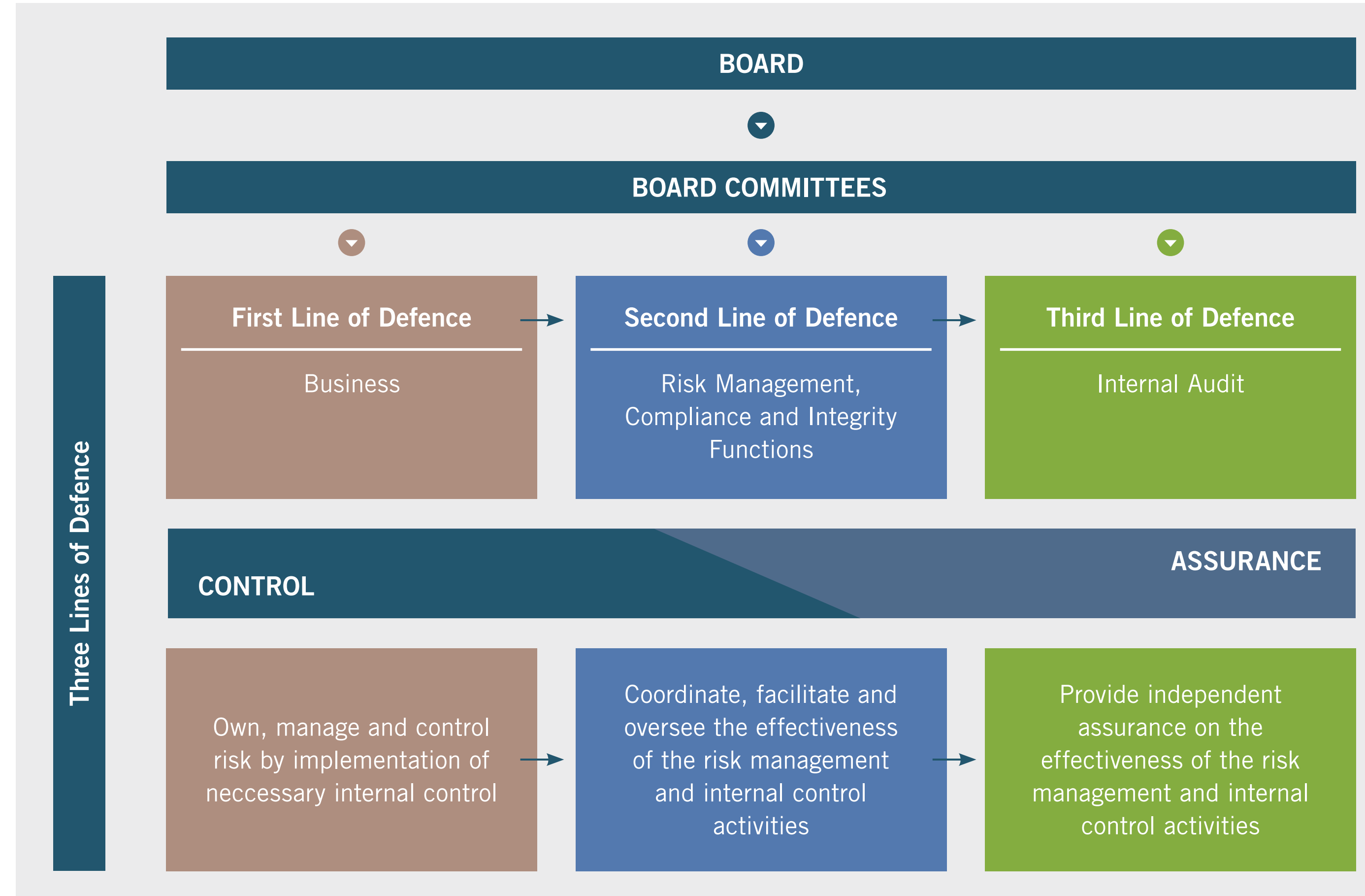
Our group key risks have been identified and these risks have been managed to ensure the achievement of our core business objectives:-

KEY RISKS		MITIGATION PLAN
PERFORMANCE OF THE PROPERTY MARKET RISK	S P Setia's business is largely dependent on the performance of the property market in the countries in which we operate. Such performance is affected by, among others, population growth, domestic and global economies, and government regulations.	• The Group diligently monitors the development and changes within the local and international property markets in planning future developments to maintain competitiveness. • The Group has also capitalised on its experience to offer different types and price ranges for residential and commercial properties to suit different market demands, as well as phasing the development of projects according to the market conditions/demands.
COMPETITION RISK	The Group faces competition from both local and international property developers in terms of the pricing of properties, design and quality of properties, facilities and supporting infrastructure, as well as the sale and marketing of properties.	• Market intelligence surveys have been conducted to understand home buyers' needs. • Product offerings/developments have been done based on market demand and customer feedback. • Implementation of innovative marketing strategies in response to changing economic conditions and market demands.

	KEY RISKS	MITIGATION PLAN
POLITICAL AND REGULATORY RISK	The Group acknowledged the potential impact resulting from unanticipated changes in government regulations, policies, directions and/or priorities.	• Monitoring new regulations imposed by the local government on a regular basis. • Regular review of the yearly Business Plan to ensure consistency/adaptability to new regulations. • Constant communication to all stakeholders.
FOREX RISK	This risk relates to the Group foreign investment which will be affected as a result of fluctuations in exchange rates.	• The Group has a natural hedge to the extent that payments for foreign currency payables are financed via local bank borrowings in foreign currency or matched against receivables denominated in the same foreign currency.
GEOPOLITICAL RISK	The Group has recognised the exposure in countries with uncertainties due to political instability that could have an adverse impact to our investment. Geopolitical risk includes the influence of political and economic geography on politics, national power and foreign policies.	• Engagement with strong local partners to ease business dealings. • Regular tracking and monitoring of political changes and reported to the Board on any major developments. • Provided regular updates on local rules and regulations to Senior Management.
CYBER SECURITY RISK	The Group has recognised the vulnerability of our business to cyber-crime, hence comprehensive measures/steps to ensure effective protection of networks, computers, programmes and data from attack, damage or unauthorised access are our main priority.	• Periodical and ad-hoc system security testing. • Establishment of IT Policies and Procedures. • Briefing sessions/roadshows conducted to enhance staff awareness.
WORKPLACE HEALTH AND SAFETY RISK	The Group is potentially exposed to workplace health and safety (including environmental) risks during the period of construction.	• Well-defined health and safety policies and procedures were established. • Health and safety awareness-raising and training initiatives were conducted. • Continuous improvement of construction methods and communication campaigns with our appointed contractors. • Stringent on-site controls and enforcement.

INTERNAL CONTROL SYSTEMS

At S P Setia, our practice of strong internal controls is guided by the model of the "Three Lines of Defence" model as shown below:



a. First Line of Defence

The first line of defence is provided by the Senior Management; and the Heads of BUs are accountable for all risks and effective internal controls assumed under their respective areas of responsibility. Senior Management is also responsible for the promotion of the risk culture, which will ensure greater understanding of the importance of risk management whilst ensuring its principles are embedded in key operational processes, including project evaluation and monitoring.

The Group's internal control systems do not apply to Associate Companies and Joint Ventures where the Group does not have full management control. However, the Group's interests are served through representation on the Boards of the respective Associate Companies and Joint Ventures.

b. Second Line of Defence

The second line of defence is provided by the Group Risk Management (GRM) and Group Quality Management (GQM). The GRM is responsible for facilitating the Enterprise Risk Management processes based on the approved ERM Framework; whereas the GQM is responsible in ensuring effective implementation and compliance to the Group's policies and procedures.

c. Third Line of Defence

The third line of defence is provided by the GIA. The GIA provides independent assurance on the adequacy and reliability of the risk management processes and system of internal controls, and ensures compliance to related regulatory requirements.

MAIN FEATURES OF INTERNAL CONTROL AT S P SETIA

a. Organisation Structure and Reporting Lines

The Board and Board Committees are supported operationally by the Senior Management Committee headed by the President and CEO.

The Senior Management Committee meeting is convened on a monthly basis to discuss strategic business agendas and the group's financial performance, hence has oversight of the Group's operations and maintenance of effective control.

The organisation structure and delegation of responsibilities are communicated Group-wide and set out, amongst others, authorisation levels, segregation of duties, and other risk and control procedures.

b. Group Internal Audit Division

The GIA reports directly to the AC, undertakes the internal audit function of the Group, and provides independent and objective assurance on the adequacy and the effectiveness of the internal control system implemented by the Group.

i. Objectives

GIA supports the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

ii. Yearly activities

Audit engagements on business/support units within the Group are carried out based on a risk-based annual internal audit plan approved by the AC. GIA executes the audit engagements with regards to risk exposures, compliances on policies and procedures, relevant laws and regulations and at times against best practices. GIA presents to the AC periodically on significant audit findings, recommendations and action plans to add value and improve the Group's internal control system.

Follow-up reviews are performed to obtain the assurance that the implementation of action plans are addressed effectively and timely by management. In addition, special reviews and scope extensions are undertaken as required by the AC and the Management.

c. Group Quality Management

Group Quality Management reports directly to the EVP, establishes and manages an integrated quality, health and safety and environment management system for the Property Division, manufacturing and construction arms. The integrated system is progressively reviewed to ensure its relevance.

i. Objectives of GQM

GQM supports the Group in accomplishing its objectives by performing regular quality audits and assisting the Group to progressively improve its business processes relating to product and service quality as well as regulatory compliance. The main initiatives are as per the following:

- Maintaining the accreditation to ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health & Safety Management System;
- Conducting a customer satisfaction survey biannually;
- Performing regular process, service quality, product quality audit and site HSE audit;
- Facilitating the quarterly Customer Experience Committee and Technical Excellence Committee meeting, and monitoring the quality improvement;
- Gathering and reporting the product and service quality and HSE performance; and
- Monitoring the Quality Excellence Award programme for employees and contractors.

d. Policies, Guidelines and Procedures

i. Written Policies, Guidelines and Standard Operating Procedures

Policies and Standard operating procedures are established, reviewed, and updated to reflect changes to business environments and maintain operational efficiencies. Compliance to such policies and procedures are reported by GIA to the AC.

ii. Discretionary Authority Limits (DAL)

The DAL has been established as part of S P Setia's efforts in ensuring an optimal balance between strong corporate governance practices and operational efficiency. It is a written delegation of authority by the Board to the respective Board Committees and Management within the Group. Its key objectives are to provide a holistic view of the authority limits set, to encourage delegation, empowerment and accountability, and to eliminate guesswork, confusion and to provide clarity.

The DAL document is subject to periodical review to incorporate any changes that affect the authority limits.

iii. Whistleblowing Policy

S P Setia is committed to the highest standard of integrity and maintaining a high standard of accountability in the conduct of its businesses and operations. The whistleblowing policy has been established to provide a structured reporting channel and guidance to all employees and external parties without fear of victimisation and/or subsequent discrimination. This policy and whistleblowing portal are available at S P Setia's website.

e. Financial Performance Monitoring

Group Corporate Finance covers planning, monitoring, reviewing, and reporting of S P Setia's financial performance via periodic reviews of actual performance versus targets and ensures initiatives and mitigating actions are taken.

The review and deliberation of financial performance of the Group are conducted on a monthly basis during the Group Action Committee meeting.

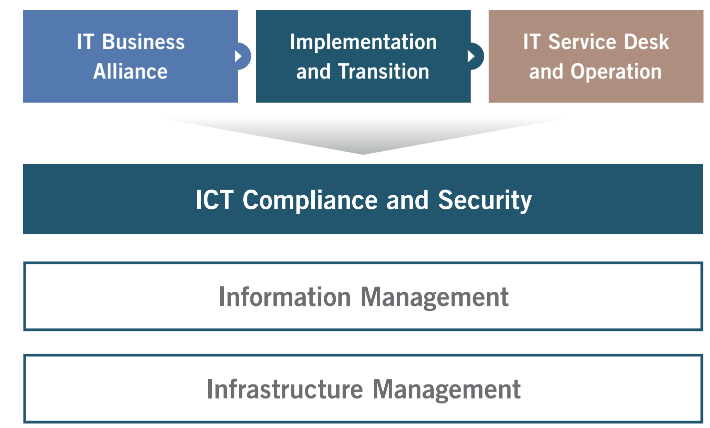
f. Group Information and Communication Technology

The Group Information and Communication Technology's (GICT) core role is to plan, design, support, and improve IT services in order to enable business users of the Group to carry out their roles efficiently, productively, and securely. This also includes educating and facilitating business users to embrace relevant technology, either new or enhancing existing ICT systems, to increase business performance and market share.

i. Strengthen ICT Structure for Digital Transformation.

In order for GICT to be an enabler for S P Setia's business, GICT services focus on aligning its services towards the needs of the business. The alignment from IT towards business is a constant effort in this digital economy to ensure the right services are provided to the business. GICT uses an IT services management (ITSM) industry framework which is called ITIL (Information Technology Infrastructure Library) as a reference to strengthen ICT alignment towards the Group's business.

Diagram 1. IT Structure Alignment towards Business



ii. ICT Policy and Compliance

Compliance. S P Setia GICT Policy adheres to S P Setia Group policy and adopts the Setia GICT strategy, approach, and digital maturity roadmap. The internal ICT audit and system is reviewed yearly to ensure compliance against S P Setia Group policies and standard operating procedures (SOPs).

ICT Disaster Recovery Plan. As part of the S P Setia Group Business Continuity Plan (BCP) which takes place yearly to ensure workability and compliance to S P Setia Group BCP policy.

iii. **Cybersecurity and Awareness**

Cybersecurity. As part of prevention activities, S P Setia has conducted an overall assessment which takes place on a periodic basis, i.e. penetration test on the ICT systems (hardware and software). From the results with given recommendations, actions have been taken into consideration to ensure prevention measurements are in place, while monitoring, detecting and deterring efforts are on-going.

Awareness. Awareness outreach on methods of cybercrime was conducted for all S P Setia business users through education, and periodic announcements as and when required.

g. Group Human Resources

The Group Human Resources (GHR) reports directly to the President and CEO, working closely with the COO on operational issues. GHR holds a strategic function in ensuring that our People Plans are aligned with the Business. GHR is responsible for the formulation, implementation, monitoring and review of the overall Human Resources Strategy. The scope covers the entire employee life cycle from Talent Acquisition, Performance Management, and Talent Development and drives Organisational Change in building organisational capabilities.

The key deliverables are anchored on Employee Engagement with the right platform/channels created to mitigate any people risks that may impact business. In all our core Human Resource processes, we follow an annual rhythm:

i. **Reward and Recognition**

Establishing a clear system on how to measure our employees' performance is key in sustaining a business model based on a "growth agenda". S P Setia uses a KPI system for our Performance Management System (PMS). The KPI System embeds the culture of accountability with KPI scoring distributed across individuals/functions and Group achievement.

ii. **Succession Planning**

Leadership development is a key priority in S P Setia and we follow a strategic framework which feeds into our Succession Planning process. We use a practical and efficient methodology to balance our time investment in People Development and Driving business results. Succession Planning is carried out for key roles and it is a partnership discussion between the Group Human Resources and the Business Heads.

iii. **Talent Management**

Our Talent Management Framework covers all levels of employees with targeted development strategies focusing on Core Organisation Competency within each Job Grade. A Critical Path Development has been identified as a basic premise for the development of the relevant leadership levels to ensure that each talent is well trained and equipped with the necessary skills required as they rise up the leadership ladder.

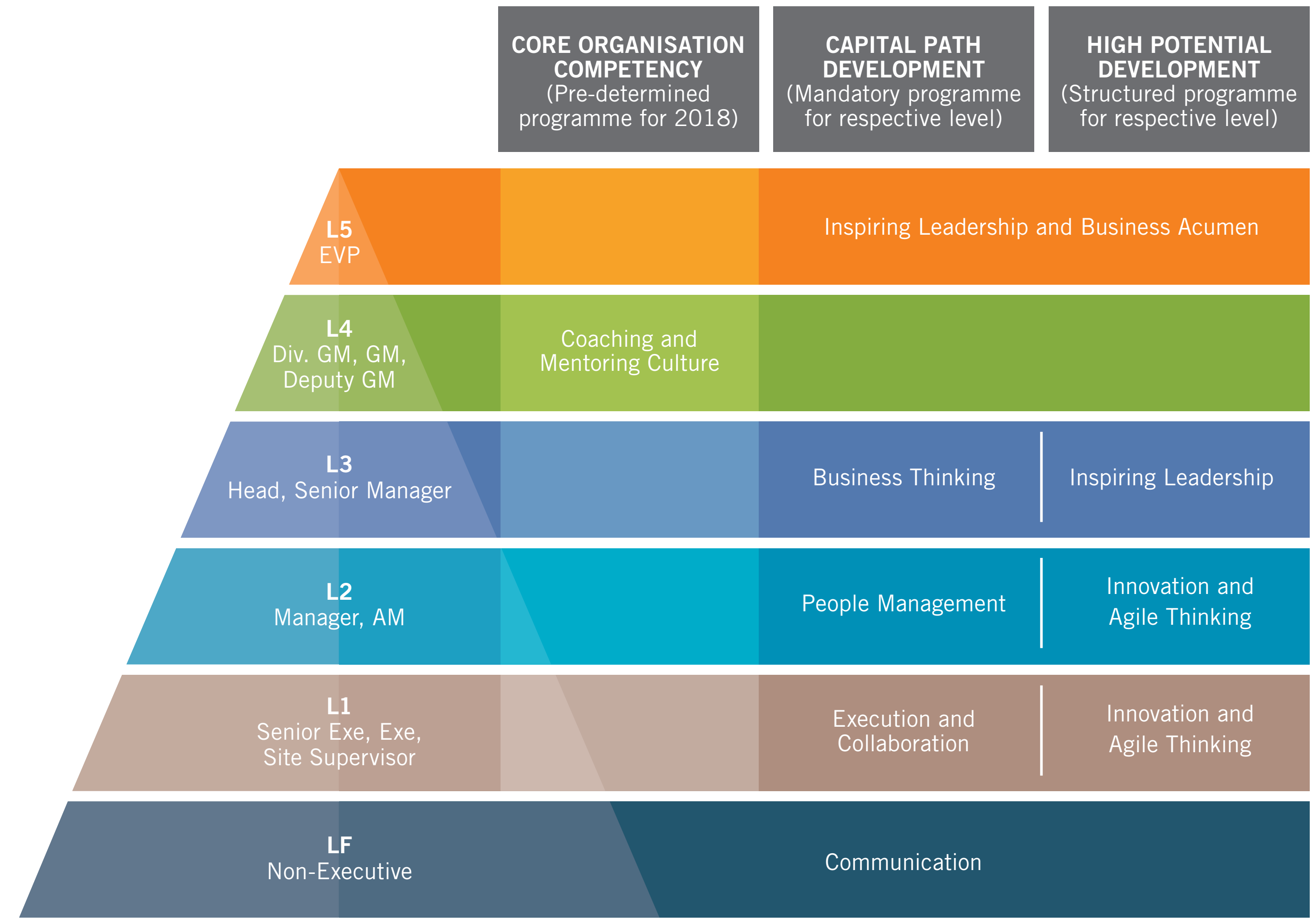
For 2018, we strengthened our Talent Management initiative in driving the talent pipeline by focusing on embedding a strong Coaching and Resilience culture. We launched the Setia Heart Programme which covered over 1,600 employees from Executive level onwards. These were in line with our strategy of having our talent trained on the same platform, speaking the same language and shifting our leaders at all levels to balance the people and results elements.

Our High Potential talent group has been selected based on consistent track record, ambition/aspirations, competencies/capabilities and being the keeper of S P Setia's Values.

iv. **Development Focus**

Our development framework which was endorsed by the Board in 2017 serves as the development navigation tool for S P Setia employees with a clear strategy of having a structured development path, leading to effective succession planning at key levels.

2018 DEVELOPMENT FOCUS



MONITORING, REPORTING AND REVIEWING

The Group's system of risk management and internal controls is monitored via periodic management review of financial and operational results, business processes, the state of internal controls and business risk profile by the respective Heads of BUs and reported to the Group Action Committee.

In addition, the Board is updated on the Group's performance on a quarterly basis and reviews are undertaken by GIA on the effectiveness of controls implementation at each individual business unit. Reports on the reviews carried out by GIA are submitted on a regular basis to management and the AC. In addition, updates on the risk profiles and key mitigations are also tabled to the RMC and the Board on a quarterly basis.

BOARD COMMENTARY AND OPINION

For the financial year under review, the Board has received a written assurance from the President and CEO, Deputy President and COO and CFO that the Group's enterprise risk management and internal control systems, in all material aspects, are operating adequately and effectively. There were no material control failures or adverse compliance events that directly resulted in any material loss to the Group.

Taking into consideration the information and assurance given by the President and CEO, Deputy President and COO and CFO, the Board is satisfied that the enterprise risk management and internal control systems in place for the year under review and up to the date of approval of this Statement are sound and effective to safeguard the interest of all shareholders, the Group's assets, and other stakeholders. The Board has deliberated and approved the recommendations brought forth by the RMC and the AC.

The Board will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors, Messrs. Ernst & Young, have performed limited assurance procedures on the Statement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement Other Than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 - Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in this Integrated Report. Messrs. Ernst & Young have reported to the Board that nothing has come to their attention that causes them to believe that the Statement included in this Integrated Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

This Statement for inclusion in the Integrated Report was presented by the Management and approved by the Board on 28 February 2019.

Financial Statements

>> Corporate Information

DOMICILE	: Malaysia
LEGAL FORM AND PLACE OF INCORPORATION	: Public listed company limited by way of shares incorporated in Malaysia
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: S P Setia Berhad Corporate HQ No.12, Persiaran Setia Dagang Setia Alam, Seksyen U13 40170 Shah Alam Selangor Darul Ehsan

>> Directors' Report

For The Financial Year Ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of S P Setia Berhad ("the Company" or "S P Setia") for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities and other information relating to the subsidiary companies are provided in Note 8 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	798,295	652,660
Attributable to:		
Owners of the Company	670,959	618,211
Holders of Perpetual bond	34,449	34,449
Non-controlling interests	92,887	-
	798,295	652,660

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the effects of acquisition of the remaining 50% equity interest in Setia Federal Hill Sdn Bhd as disclosed in Note 33 to the financial statements.

DIVIDENDS

At the Extraordinary General Meeting of the Company held on 20 March 2014, the shareholders of the Company resolved to approve the Company's Dividend Reinvestment Plan ("DRP"). The authority granted to the Company to allot and issue new shares of the Company pursuant to the DRP was renewed by the shareholders at the 43rd Annual General Meeting ("AGM") of the Company held on 17 May 2018.

The DRP provides an option to the shareholders to reinvest either all or a portion of the declared dividends in new shares in lieu of receiving cash. Shareholders who elect not to participate in the option to reinvest, will receive the entire dividend wholly in cash.

During the financial year, the Company paid the following dividends:

(a) a single-tier final dividend of 11.5 sen per ordinary share each amounting to RM431,855,613 in respect of the financial year ended 31 December 2017. A total of 134,578,221 new ordinary shares were issued on 20 April 2018 at an issue price of RM2.80 per share under the DRP and the remaining portion of RM55,036,594 was paid in cash on 20 April 2018; and

DIVIDENDS (CONT'D)

During the financial year, the Company paid the following dividends: (cont'd)

(b) a single-tier interim dividend of 4 sen per ordinary share each amounting to RM156,071,208 in respect of the financial year ended 31 December 2018. A total of 44,622,898 new ordinary shares were issued on 9 November 2018 at an issue price of RM2.40 per share under the DRP and the remaining portion of RM48,976,253 was paid in cash on 9 November 2018.

Subsequent to 31 December 2018, the Directors declared a single-tier dividend of 4.55 sen per share amounting to RM180,114,639 in respect of the financial year ended 31 December 2018. The financial statements for the current financial year do not reflect this proposed dividend. It will be accounted for in equity as an appropriation of retained earnings for the financial year ending 31 December 2019.

PREFERENTIAL DIVIDENDS

During the financial year, the Company paid the following preferential dividends:

(a) a semi-annual preferential dividend of 6.49% per annum in respect of the Islamic Redeemable Cumulative Preference Shares ("RCPS-i A") for financial period from 1 July 2017 to 31 December 2017. A total of RM36,214,513 was paid in cash on 11 April 2018; and

(b) a semi-annual preferential dividend of 6.49% per annum in respect of RCPS-i A and 5.93% per annum in respect of the Class B Islamic Redeemable Cumulative Preference Shares ("RCPS-i B") for financial period from 1 January 2018 to 30 June 2018. A total of RM67,709,557 was paid in cash on 3 October 2018.

Subsequent to 31 December 2018, the Directors declared a preferential dividend of 6.49% per annum amounting to RM35,326,949 in respect of the RCPS-i A and 5.93% per annum amounting to RM30,976,923 in respect of RCPS-i B for financial period from 1 July 2018 to 31 December 2018. The financial statements for the current financial year do not reflect this proposed dividend. It will be accounted for in equity as an appropriation of retained earnings for the financial year ending 31 December 2019.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital by way of:

(a) issuance of 1,018,158 new ordinary shares pursuant to the exercise of options under the Employees' Share Options Scheme ("ESOS") at the following option prices:

		ESOS 1	ESOS 4	ESOS 5
Exercise price	(RM)	2.96	2.62	2.76
No. of shares issued	('000)	308	72	638

(b) issuance of 325,000,000 new ordinary shares ("Placement Shares") at an issue price of RM3.07 per share;

(c) conversion from 31,978,873 RCPS-i A to 9,461,190 ordinary shares with the conversion ratio of fifty (50) new S P Setia Berhad shares for one hundred sixty nine (169) RCPS-i A held;

ISSUE OF SHARES AND DEBENTURES (CONT'D)

During the financial year, the Company increased its issued and paid-up share capital by way of: (cont'd)

(d) conversion from 22,562,243 RCPS-i B to 5,371,952 ordinary shares with the conversion ratio of five (5) new S P Setia Berhad shares for twenty one (21) RCPS-i B held;

(e) issuance of 134,578,221 new ordinary shares pursuant to the 9th DRP at the price of RM2.80 per share;

(f) allotment of 10,728,040 new ordinary shares pursuant to the vesting of Employee Share Grant Plan ("ESGP"); and

(g) issuance of 44,622,898 new ordinary shares pursuant to the 10th DRP at the price of RM2.40 per share.

EMPLOYEE SHARE GRANT PLAN AND EMPLOYEE SHARE OPTION SCHEME

The Company's Long Term Incentive Plan ("LTIP" or "Scheme") is governed by the By-Laws which was approved by the shareholders on 28 February 2013 and is administered by the Nomination and Remuneration Committee ("NRC") which is appointed by the Board of Directors, in accordance with the By-Laws of LTIP.

On 23 February 2017, the Board of Directors approved the extension of the LTIP for another 5 years pursuant to By-Laws 18.2 of the By-Laws of LTIP and as such the LTIP shall be in force for a period of 10 years up to 9 April 2023.

The LTIP comprised of the ESGP and ESOS. The salient features, terms and details of the LTIP are disclosed in Note 22 to the financial statements.

During the financial year, the Company granted 16,968,583 shares under the ESGP and 18,664,800 options under the ESOS to eligible Executive Directors and eligible employees of the Company and/or its eligible subsidiary companies. The details of the shares and options granted under LTIP and its vesting conditions during the financial year and the number of shares and options outstanding at the end of the financial year are disclosed in Note 22 to the financial statements.

DIRECTORS

The Directors in office since the beginning of the financial year to the date of this report are:

Y.A.M Tan Sri Dato' Seri Syed Anwar Jamalullail (appointed on 3 January 2019)
Dato' Khor Chap Jen
Dato' Halipah Binti Esa
Dato' Ahmad Pardas Bin Senin
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Dato' Zuraidah Binti Atan
Tengku Dato' Ab. Aziz Bin Tengku Mahmud
Puan Noraini Binti Che Dan
Mr Philip Tan Puay Koon
Dato' Azmi Bin Mohd Ali
Tan Sri Dato' Seri Dr Wan Mohd Zahid Bin Mohd Noordin (resigned on 3 January 2019)

DIRECTORS (CONT'D)

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Datuk Wong Tuck Wai
Datuk Choy Kah Yew
Datuk Koe Peng Kang
Datuk Tan Hon Lim
Datuk Kow Choong Ming
Datuk Choong Kai Wai
Datuk Yuslina Binti Mohd. Yunus
Saw Kim Suan
Soh Hee Pin
Datuk Zaini Bin Yusoff
Ng Han Seong
Neo Keng Hoe
Yeo Cheng Jway
Jamalullail Bin Abu Bakar
Sha'ari Bin Hanapi
Tan Mui Hiang
Saniman Bin Amat Yusof
Hong Boon Toh
Zulfakar Bin Abdullah (appointed on 2 February 2018)
Azmy Bin Mahbot
Tuan Hj Ahmad Khalif Bin Tan Sri Datuk (Dr) Hj Mustapha Kamal
Gan Hwa Leong
Gan Hua Tiong
Mohd Auzir Zakri Bin Abd Hamid
Shahril Bin Ramli
Datuk Ahmad Bin Abu Bakar
Fadzidah Binti Hashim
Puar Chin Jong (appointed on 15 August 2018)
Li Wai Chee (appointed on 1 November 2018)
Dato' Sri Ghazali Bin Mohd. Ali
Dato' Sri Syed Saleh Bin Syed Abdul Rahman
Jeneral Tan Sri Dato' Sri Rodzali Bin Daud (retired)
Ahmad Suhaimee Bin Ismail
Iszad Jeffri Bin Ismail (appointed on 9 January 2019)
Neoh Swee Guat
Dato' Abu Sujak Bin Mahmud
Dato' Beh Hang Kong
Beh Chee Hong (appointed on 31 October 2018)
Ahmad Suhaimi Bin Endut (resigned on 9 January 2019)
Thum Kok Mun (resigned on 30 January 2019)

DIRECTORS' INTEREST IN SHARES AND LTIP

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiary companies during the financial year except for the following:

	No. of ordinary shares			
	At 1.1.2018	Addition	Disposal	At 31.12.2018
Dato' Khor Chap Jen				
- direct	911,706	291,345	-	1,203,051

	No. of Islamic redeemable convertible preference shares ("RCPS-i A")			
	At 1.1.2018	Addition	Disposal	At 31.12.2018
Dato' Khor Chap Jen				
- direct	222,178	-	-	222,178

	No. of Class B Islamic redeemable convertible preference shares ("RCPS-i B")			
	At 1.1.2018	Addition	Disposal	At 31.12.2018
Dato' Khor Chap Jen				
- direct	321,778	-	-	321,778

The following Director had an interest in LTIP during the financial year:

	No. of shares under the ESGP				
	At 1.1.2018	Granted	Vested	Lapsed	At 31.12.2018
Dato' Khor Chap Jen	454,900	300,000	(253,900)	-	501,000

	No. of share options under the ESOS				
	At 1.1.2018	Granted	Exercised	Lapsed	At 31.12.2018
Dato' Khor Chap Jen	25,449,670	-	-	-	25,449,670

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company as shown in Note 35 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to have arisen from the transactions disclosed in Note 40 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the shares or share options granted under the LTIP.

DIRECTORS' BENEFITS (CONT'D)

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties while holding office. During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and officers of the Group and the Company are RM30,000,000 and RM52,600 respectively. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values in the ordinary course of business as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

   (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

   (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

   (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(e) In the opinion of the Directors:

   (i) no contingent or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 49 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Details of auditors' remuneration are set out in Note 35 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Ernst & Young during and since the end of the financial year.

This report is approved by the Board of Directors on 27 February 2019.

Signed on behalf of the Board of Directors

Y.A.M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Chairman

DATO' KHOR CHAP JEN
Director

Shah Alam, Malaysia

>> Statements of Financial Position

31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Group 1.1.2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000 Restated	Company 1.1.2017 RM'000 Restated
ASSETS							
Non-current assets							
Property, plant and equipment	2	**524,328**	425,120	374,958	**1**	2	2
Investment properties	3	**2,059,406**	1,943,089	1,752,222	**3,243**	3,243	3,243
Inventories - land held for property development	4	**12,720,220**	10,367,808	8,123,011	**-**	-	-
Intangible asset	5	**14,793**	15,497	11,633	**-**	-	-
Investments in associated companies	6	**540,648**	521,449	503,189	**95,621**	95,621	95,621
Investments in joint ventures	7	**2,736,896**	2,222,869	1,824,371	**33,506**	33,639	33,375
Investments in subsidiary companies	8	**-**	-	-	**9,096,646**	8,587,501	4,908,273
Other investments	9	**96**	133	231	**-**	-	-
Amounts owing by subsidiary companies	10	**-**	-	-	**3,627,789**	2,641,349	1,790,889
Other receivables, deposits and prepayments	14	**76,954**	90,146	-	**-**	-	-
Deferred tax assets	15	**240,052**	185,275	163,914	**1,038**	388	524
		18,913,393	15,771,386	12,753,529	**12,857,844**	11,361,743	6,831,927
Current assets							
Trade receivables	16	**840,931**	985,983	892,322	**-**	-	-
Contract assets	17	**1,065,152**	869,481	1,082,203	**-**	-	-
Other receivables, deposits and prepayments	14	**327,852**	752,155	338,435	**1,868**	1,822	1,480
Inventories - property development costs	4	**3,418,097**	1,839,648	2,468,274	**-**	-	-
Inventories - completed properties and others	4	**1,586,946**	1,702,008	1,296,023	**-**	-	-
Amounts owing by subsidiary companies	10	**-**	-	-	**2,341,214**	1,498,316	759,561
Amounts owing by joint ventures	11	**167,717**	585,202	633,669	**58,404**	347,905	341,677
Amounts owing by associated companies	12	**450**	364	138	**450**	364	138
Amounts owing by related companies	13	**811**	-	5,320	**-**	-	-
Other investments	9	**-**	-	30,000	**-**	-	-
Current tax assets		**131,991**	148,682	153,180	**-**	-	9,030
Short-term funds	18	**1,082,940**	1,377,749	2,152,970	**174,139**	820,848	1,332,554
Short-term deposits	19	**402,552**	322,310	851,381	**64,000**	87,000	250,000
Cash and bank balances	20	**1,398,060**	3,879,241	1,676,169	**39,022**	2,478,450	15,512
		10,423,499	12,462,823	11,580,084	**2,679,097**	5,234,705	2,709,952
Assets of disposal group classified as held for sale	21	**-**	1,058	19,000	**-**	-	-
		10,423,499	12,463,881	11,599,084	**2,679,097**	5,234,705	2,709,952
TOTAL ASSETS		**29,336,892**	28,235,267	24,352,613	**15,536,941**	16,596,448	9,541,879

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Group 1.1.2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000 Restated	Company 1.1.2017 RM'000 Restated
EQUITY AND LIABILITIES							
Equity							
Share capital	22	**8,252,253**	6,693,971	2,140,140	**8,252,253**	6,693,971	2,140,140
Share capital - RCPS-i A	23	**1,087,363**	1,119,342	11,276	**1,087,363**	1,119,342	11,276
Share capital - RCPS-i B	23	**1,044,753**	1,064,608	-	**1,044,753**	1,064,608	-
Share premium *(non-distributable)*		**-**	-	2,945,523	**-**	-	2,945,523
Share premium - RCPS-i A *(non-distributable)*		**-**	-	1,115,632	**-**	-	1,115,632
Share-based payment reserve *(non-distributable)*		**140,987**	94,450	65,316	**140,987**	94,450	65,316
Reserve on acquisition arising from common control *(non-distributable)*	24	**(1,295,884)**	(1,295,884)	(1,295,884)	**-**	-	-
Exchange translation reserve *(non-distributable)*		**(50,058)**	136,916	204,486	**-**	-	-
Retained earnings *(distributable)*		**4,964,351**	4,985,244	4,640,564	**656,684**	730,325	559,355
Equity attributable to owners of the Company		**14,143,765**	12,798,647	9,827,053	**11,182,040**	9,702,696	6,837,242
Perpetual bond	25	**-**	610,787	610,787	**-**	610,787	610,787
Non-controlling interests		**1,376,263**	1,293,893	1,257,532	**-**	-	-
Total equity		**15,520,028**	14,703,327	11,695,372	**11,182,040**	10,313,483	7,448,029
Non-current liabilities							
Redeemable cumulative preference shares	26	**69,292**	54,667	53,513	**-**	-	-
Other payables and accruals	27	**35,534**	40,000	40,000	**-**	-	-
Long term borrowings	28	**7,947,130**	4,914,092	3,798,538	**2,868,289**	1,343,847	1,247,767
Deferred tax liabilities	15	**470,829**	247,121	235,649	**-**	-	-
		8,522,785	5,255,880	4,127,700	**2,868,289**	1,343,847	1,247,767

Statements of Financial Position
31 December 2018

	Note	Group			Company		
		2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated
Current liabilities							
Trade payables	29	**1,747,302**	1,929,355	2,001,167	**-**	-	-
Contract liabilities	17	**28,071**	12,469	71,698	**-**	-	-
Other payables and accruals	27	**973,361**	749,704	606,312	**24,809**	336,991	11,428
Short term borrowings	28	**2,517,735**	1,963,828	1,974,771	**1,320,027**	972,605	736,072
Current tax liabilities		**26,267**	79,749	114,709	**9,274**	6,296	-
Amounts owing to previous shareholders of I & P Group Sdn Berhad	30	**-**	3,540,500	3,650,000	**-**	3,540,500	-
Amounts owing to subsidiary companies	10	**-**	-	-	**132,502**	82,726	98,583
Amounts owing to related companies	13	**1,343**	455	110,884	**-**	-	-
		5,294,079	8,276,060	8,529,541	**1,486,612**	4,939,118	846,083
Total liabilities		**13,816,864**	13,531,940	12,657,241	**4,354,901**	6,282,965	2,093,850
TOTAL EQUITY AND LIABILITIES		**29,336,892**	28,235,267	24,352,613	**15,536,941**	16,596,448	9,541,879

The accompanying notes form an integral part of the financial statements

>> Statements of Comprehensive Income

For The Financial Year Ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Continuing operations					
Revenue	31	**3,593,589**	4,287,777	**-**	-
Cost of sales	32	**(2,501,335)**	(2,895,063)	**-**	-
Gross profit		**1,092,254**	1,392,714	**-**	-
Other income	33	**627,208**	252,975	**910,137**	960,416
Selling and marketing expenses		**(109,884)**	(110,928)	**-**	(56)
Administrative and general expenses		**(395,645)**	(369,419)	**(42,008)**	(23,813)
Share of results of joint ventures		**(43,345)**	283,680	**-**	-
Share of results of associated companies		**27,144**	26,246	**-**	-
Finance costs	34	**(207,184)**	(137,360)	**(179,983)**	(90,529)
Profit before tax from continuing operations	35	**990,548**	1,337,908	**688,146**	846,018
Taxation	36	**(192,253)**	(298,903)	**(35,486)**	(19,788)
Profit from continuing operations, net of tax		**798,295**	1,039,005	**652,660**	826,230
Discontinued operations					
Profit from discontinued operations, net of tax	21	**-**	89,585	**-**	-
Profit for the year		**798,295**	1,128,590	**652,660**	826,230
Other comprehensive income, net of tax:					
(Items that may be reclassified subsequently to profit or loss)					
Exchange differences on translation of foreign operations		**(186,982)**	(67,713)	**-**	-
Total comprehensive income for the year		**611,313**	1,060,877	**652,660**	826,230
Profit attributable to:					
Holders of Perpetual bond		**34,449**	36,236	**34,449**	36,236
Non-controlling interests		**92,887**	98,651	**-**	-
		127,336	134,887	**34,449**	36,236
Owners of the Company					
- from continuing operations		**670,959**	904,118	**618,211**	789,994
- from discontinued operations		**-**	89,585	**-**	-
		670,959	993,703	**618,211**	789,994
		798,295	1,128,590	**652,660**	826,230

Statements of Comprehensive Income
For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000 Restated
Total comprehensive income attributable to:					
Holders of Perpetual bond		**34,449**	36,236	**34,449**	36,236
Non-controlling interests		**92,879**	98,508	**-**	-
		127,328	134,744	**34,449**	36,236
Owners of the Company					
- from continuing operations		**483,985**	836,548	**618,211**	789,994
- from discontinued operations		**-**	89,585	**-**	-
		483,985	926,133	**618,211**	789,994
		611,313	1,060,877	**652,660**	826,230
Basic earnings per share (sen)	37				
- from continuing operations		**14.82**	25.91		
- from discontinued operations		**-**	2.69		
		14.82	28.60		
Diluted earnings per share (sen)	37				
- from continuing operations		**12.71**	21.56		
- from discontinued operations		**-**	2.24		
		12.71	23.80		

The accompanying notes form an integral part of the financial statements

>> Consolidated Statement of Changes in Equity
For The Financial Year Ended 31 December 2018

		Attributable to owners of the Company												
					Non-distributable					Distributable				
	Note	Share capital RM'000	Share capital - RCPS-i A RM'000	Share capital - RCPS-i B RM'000	Share premium RM'000	Share remium - RCPS-i A RM'000	Share-based payment reserve RM'000	Reserve on acquisition arising from common control RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual bond RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1.1.2017		2,140,140	11,276	-	2,945,523	1,115,632	65,316	(1,295,884)	204,486	3,845,351	9,031,840	610,787	1,206,081	10,848,708
Adoption of MFRS Framework	50	-	-	-	-	-	-	-	-	795,213	795,213	-	51,451	846,664
Balance at 1.1.2017 (restated)		2,140,140	11,276	-	2,945,523	1,115,632	65,316	(1,295,884)	204,486	4,640,564	9,827,053	610,787	1,257,532	11,695,372
Total other comprehensive income for the year, represented by exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(67,570)	-	(67,570)	-	(143)	(67,713)
Profit for the year		-	-	-	-	-	-	-	-	993,703	993,703	-	98,651	1,092,354
Distribution for the year		-	-	-	-	-	-	-	-	-	-	36,236	-	36,236
Distribution paid		-	-	-	-	-	-	-	-	-	-	(36,236)	-	(36,236)
Transactions with owners:														
Issuance of ordinary shares														
- DRP		517,875	-	-	-	-	-	-	-	-	517,875	-	-	517,875
- vesting of ESGP		23,191	-	-	-	-	(23,191)	-	-	-	-	-	-	-
- exercise of ESOS		8,296	-	-	38	-	(1,267)	-	-	-	7,067	-	-	7,067
- rights issues		1,068,640	-	-	-	-	-	-	-	-	1,068,640	-	-	1,068,640
Issuance of RCPS-i B		-	-	1,064,608	-	-	-	-	-	-	1,064,608	-	-	1,064,608
Conversion of RCPS-i A into ordinary shares		6,988	(6,988)	-	-	-	-	-	-	-	-	-	-	-
Share issuance expenses		(16,720)	(527)	-	-	(51)	-	-	-	-	(17,298)	-	-	(17,298)
Liquidation of subsidiary companies		-	-	-	-	-	-	-	-	-	-	-	2,109	2,109
RCPS-i A preferential dividends paid	38	-	-	-	-	-	-	-	-	(42,737)	(42,737)	-	-	(42,737)
Dividends paid	38	-	-	-	-	-	-	-	-	(576,286)	(576,286)	-	(64,256)	(640,542)
Dividends paid to previous shareholders of I & P Group Sdn Berhad	38	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	-	(30,000)
Share-based payment under the LTIP		-	-	-	-	-	53,592	-	-	-	53,592	-	-	53,592
Transition to no par value regime	22 & 23	2,945,561	1,115,581	-	(2,945,561)	(1,115,581)	-	-	-	-	-	-	-	-
Balance at 31.12.2017 (restated)		6,693,971	1,119,342	1,064,608	-	-	94,450	(1,295,884)	136,916	4,985,244	12,798,647	610,787	1,293,893	14,703,327

Consolidated Statement of Changes in Equity
For The Financial Year Ended 31 December 2018

		Attributable to owners of the Company												
					Non-distributable					Distributable				
	Note	Share capital RM'000	Share capital - RCPS-i A RM'000	Share capital - RCPS-i B RM'000	Share premium RM'000	Share remium - RCPS-i A RM'000	Share-based payment reserve RM'000	Reserve on acquisition arising from common control RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual bond RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 31.12.2017		6,693,971	1,119,342	1,064,608	-	-	94,450	(1,295,884)	138,030	4,129,185	11,943,702	610,787	1,243,730	13,798,219
Adoption of MFRS Framework	50	-	-	-	-	-	-	-	(1,114)	856,059	854,945	-	50,163	905,108
Balance at 31.12.2017 (restated)		6,693,971	1,119,342	1,064,608	-	-	94,450	(1,295,884)	136,916	4,985,244	12,798,647	610,787	1,293,893	14,703,327
Total other comprehensive income for the year, represented by exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(186,974)	-	(186,974)	-	(8)	(186,982)
Profit for the year		-	-	-	-	-	-	-	-	670,959	670,959	-	92,887	763,846
Distribution for the year		-	-	-	-	-	-	-	-	-	-	34,449	-	34,449
Distribution paid		-	-	-	-	-	-	-	-	-	-	(36,236)	-	(36,236)
Redemption of Perpetual bond		-	-	-	-	-	-	-	-	-	-	(609,000)	-	(609,000)
Transactions with owners:														
Issuance of ordinary shares														
- DRP		483,914	-	-	-	-	-	-	-	-	483,914	-	-	483,914
- vesting of ESGP		33,336	-	-	-	-	(33,336)	-	-	-	-	-	-	-
- exercise of ESOS		3,411	-	-	-	-	(549)	-	-	-	2,862	-	-	2,862
- new placement		997,750	-	-	-	-	-	-	-	-	997,750	-	-	997,750
Conversion of RCPS-i A into ordinary shares		31,979	(31,979)	-	-	-	-	-	-	-	-	-	-	-
Conversion of RCPS-i B into ordinary shares		19,855	-	(19,855)	-	-	-	-	-	-	-	-	-	-
Incorporation of new subsidiary company		-	-	-	-	-	-	-	-	-	-	-	7,500	7,500
Share issuance expenses		(11,963)	-	-	-	-	-	-	-	-	(11,963)	-	-	(11,963)
RCPS-i A preferential dividends paid	38	-	-	-	-	-	-	-	-	(72,430)	(72,430)	-	-	(72,430)
RCPS-i B preferential dividends paid	38	-	-	-	-	-	-	-	-	(31,495)	(31,495)	-	-	(31,495)
Dividends paid	38	-	-	-	-	-	-	-	-	(587,927)	(587,927)	-	(18,009)	(605,936)
Share-based payment under the LTIP		-	-	-	-	-	80,422	-	-	-	80,422	-	-	80,422
Balance at 31.12.2018		8,252,253	1,087,363	1,044,753	-	-	140,987	(1,295,884)	(50,058)	4,964,351	14,143,765	-	1,376,263	15,520,028

The accompanying notes form an integral part of the financial statements

>> Statement of Changes in Equity
For The Financial Year Ended 31 December 2018

					Non-distributable			Distributable		
	Note	Share capital RM'000	Share capital - RCPS-i A RM'000	Share capital - RCPS-i B RM'000	Share premium RM'000	Share premium - RCPS-i A RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Perpetual bond RM'000	Total RM'000
Balance at 1.1.2017		2,140,140	11,276	-	2,945,523	1,115,632	65,316	557,885	610,787	7,446,559
Adoption of MFRS Framework	50	-	-	-	-	-	-	1,470	-	1,470
Balance at 1.1.2017 (restated)		2,140,140	11,276	-	2,945,523	1,115,632	65,316	559,355	610,787	7,448,029
Total other comprehensive income for the year, represented by profit for the year		-	-	-	-	-	-	789,994	-	789,994
Distribution for the year		-	-	-	-	-	-	-	36,236	36,236
Distribution paid		-	-	-	-	-	-	-	(36,236)	(36,236)
Transactions with owners:										
Issuance of ordinary shares:										
- DRP		517,875	-	-	-	-	-	-	-	517,875
- vesting of ESGP		23,191	-	-	-	-	(23,191)	-	-	-
- exercise of ESOS		8,296	-	-	38	-	(1,267)	-	-	7,067
- rights issues		1,068,640	-	-	-	-	-	-	-	1,068,640
Issuance of RCPS-i B		-	-	1,064,608	-	-	-	-	-	1,064,608
Conversion of RCPS-i A to ordinary shares		6,988	(6,988)	-	-	-	-	-	-	-
Share issuance expenses		(16,720)	(527)	-	-	(51)	-	-	-	(17,298)
RCPS-i A preferential dividends paid	38	-	-	-	-	-	-	(42,737)	-	(42,737)
Dividends paid	38	-	-	-	-	-	-	(576,287)	-	(576,287)
Share-based payment under the LTIP		-	-	-	-	-	53,592	-	-	53,592
Transition to no par value regime	22 & 23	2,945,561	1,115,581	-	(2,945,561)	(1,115,581)	-	-	-	-
Balance at 31.12.2017 (restated)		6,693,971	1,119,342	1,064,608	-	-	94,450	730,325	610,787	10,313,483

Statement of Changes in Equity
For The Financial Year Ended 31 December 2018

	Note	Share capital RM'000	Share capital - RCPS-i A RM'000	Share capital - RCPS-i B RM'000	Non-distributable Share-based payment reserve RM'000	Distributable Retained earnings RM'000	Perpetual bond RM'000	Total RM'000
Balance at 31.12.2017		6,693,971	1,119,342	1,064,608	94,450	728,845	610,787	10,312,003
Adoption of MFRS Framework	50	-	-	-	-	1,480	-	1,480
Balance at 31.12.2017 (restated)		6,693,971	1,119,342	1,064,608	94,450	730,325	610,787	10,313,483
Total other comprehensive income for the year, represented by profit for the year		-	-	-	-	618,211	-	618,211
Distribution for the year		-	-	-	-	-	34,449	34,449
Distribution paid		-	-	-	-	-	(36,236)	(36,236)
Redemption of Perpetual bond		-	-	-	-	-	(609,000)	(609,000)
Transactions with owners:								
Issuance of ordinary shares:								
- DRP		483,914	-	-	-	-	-	483,914
- vesting of ESGP		33,336	-	-	(33,336)	-	-	-
- exercise of ESOS		3,411	-	-	(549)	-	-	2,862
- rights issue		997,750	-	-	-	-	-	997,750
Conversion of RCPS-i A into ordinary shares		31,979	(31,979)	-	-	-	-	-
Conversion of RCPS-i B into ordinary shares		19,855	-	(19,855)	-	-	-	-
Share issuance expenses		(11,963)	-	-	-	-	-	(11,963)
RCPS-i A preferential dividends paid	38	-	-	-	-	(72,430)	-	(72,430)
RCPS-i B preferential dividends paid	38	-	-	-	-	(31,495)	-	(31,495)
Dividends paid	38	-	-	-	-	(587,927)	-	(587,927)
Share-based payment under the LTIP		-	-	-	80,422	-	-	80,422
Balance at 31.12.2018		8,252,253	1,087,363	1,044,753	140,987	656,684	-	11,182,040

The accompanying notes form an integral part of the financial statements

>> Statements of Cash Flows
For The Financial Year Ended 31 December 2018

	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax				
- continuing operations	**990,548**	1,337,908	**688,146**	846,018
- discontinued operations	**-**	89,880	**-**	-
	990,548	1,427,788	**688,146**	846,018
Amortisation of intangible asset	**704**	528	**-**	-
Allowance for impairment loss on receivables no longer required	**(25)**	(2,342)	**-**	(1,874)
Bad debts and allowance for impairment loss on receivables	**521**	2,898	**-**	-
Depreciation of property, plant and equipment	**23,827**	22,087	**-**	-
Net loss/(gain) on disposal of property, plant and equipment	**467**	(20,715)	**1**	-
Fair value gain on investment properties	**(15,007)**	(22,703)	**-**	-
Gain on disposal of asset held for sale	**(6,942)**	-	**-**	-
Gain on disposal of investment properties	**(4,982)**	-	**-**	-
Gain on disposal of other investments	**(138)**	(12)	**-**	-
Loss/(gain) on liquidation of subsidiary companies	**-**	2,309	**-**	(999)
Gain on disposal of discontinued operations	**-**	(87,688)	**-**	-
Gain on remeasurement of retained equity interest in former joint venture	**(311,594)**	-	**-**	-
Gain on deemed disposal of previously held investment in joint venture	**(36,942)**	-	**-**	-
Property, plant and equipment written off	**252**	511	**-**	-
Share of results of joint ventures	**43,345**	(283,680)	**-**	-
Share of results of associated companies	**(27,144)**	(26,246)	**-**	-
Interest income from financial assets measured at amortised cost	**-**	-	**(3,721)**	(4,104)
Interest expense on financial liabilities measured at amortised cost	**2,484**	2,328	**-**	-
Interest income from significant financing component	**(13,566)**	(3,854)	**-**	-
Loss from fair value adjustment of financial assets	**-**	184	**2,850**	1,680
Finance income on financial liabilities at amortised cost	**(1,221)**	-	**-**	-
Share-based payment	**80,422**	53,592	**838**	615
Unrealised foreign exchange gain	**(58,857)**	(1,943)	**(26,875)**	(6,161)
Interest expense	**204,700**	135,032	**179,983**	90,529
Dividend income	**-**	-	**(612,506)**	(754,418)
Interest income	**(110,703)**	(135,258)	**(254,873)**	(184,395)
Rental income	**(39,559)**	(38,487)	**-**	-
Operating profit/(loss) before working capital changes	**720,590**	1,024,329	**(26,157)**	(13,109)
Changes in inventories - property development costs	**(213,135)**	335,115	**-**	-
Changes in inventories - completed properties and others	**566,038**	272,393	**-**	-
Changes in contract assets/liabilities	**(162,427)**	176,807	**-**	-
Changes in receivables	**103,129**	(143,254)	**(45)**	(342)
Changes in payables	**65,120**	(483,795)	**(13,601)**	14,414
Cash generated from/(used in) operations	**1,079,315**	1,181,595	**(39,803)**	963

Statements of Cash Flows
For The Financial Year Ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
Rental received	**17,718**	12,581	**-**	-
Interest received	**55,554**	59,620	**425**	1,031
Net tax paid	**(256,875)**	(339,563)	**(33,158)**	(4,326)
Net cash generated from/(used in) operating activities	**895,712**	914,233	**(72,536)**	(2,332)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to inventories - land held for property development	**(1,246,452)**	(2,448,695)	**-**	-
Deposits and part consideration paid for acquisition of development land	**(2,916)**	(449,091)	**-**	-
Additions to property, plant and equipment	**(96,325)**	(91,454)	**-**	-
Additions to investment properties	**(127,109)**	(178,009)	**-**	-
Proceeds from disposal of property, plant and equipment	**537**	58,130	**-**	-
Proceeds from disposal of investment properties	**18,982**	65,000	**-**	-
Proceeds from disposal of other investments	**175**	30,110	**-**	-
Proceeds from disposal of discontinued operations	**-**	106,688	**-**	-
Net cash outflow arising from acquisition of remaining stake in Setia Federal Hill Sdn Bhd	**(418,511)**	-	**-**	-
Proceeds on incorporation of subsidiary company from non-controlling shareholder	**7,500**	-	**-**	-
Proceeds from disposal of asset held for sale	**8,000**	-	**-**	-
Net cash outflow from liquidation of subsidiary companies	**-**	(54)	**-**	-
Deposit paid in relation to acquisition of I & P Group Sdn Berhad	**-**	(109,500)	**-**	(109,500)
Balance consideration paid in relation to acquisition of I & P Group Sdn Berhad	**(3,540,500)**	-	**(3,540,500)**	-
Acquisition of additional shares in existing subsidiary companies	**-**	-	**(489,295)**	(23,650)
Acquisition of additional shares in existing joint ventures	**(614,860)**	(138,140)	**(250)**	-
Capital contribution to a joint venture	**(71)**	(158)	**(117)**	(264)
Advances to an associated company	**(86)**	(226)	**(86)**	(226)
Advances to subsidiary companies	**-**	-	**(489,479)**	(695,789)
(Advances to)/repayment from joint ventures	**(15,296)**	(25,601)	**(121,551)**	1,645
Settlement of shareholder advances to a former joint venture partner	**(94,957)**	-	**-**	-
(Placement of)/withdrawal from sinking fund, debt service reserve, escrow accounts and short-term deposits	**(18,269)**	16,767	**(7,764)**	(2,034)
Dividends received from associated companies	**3,680**	3,680	**-**	-
Redeemable cumulative preference share dividends received	**-**	-	**2,968**	2,968
Interest received	**55,149**	75,638	**37,233**	39,354
Dividend received	**-**	-	**8,538**	23,450
Rental received	**21,841**	25,906	**-**	-
Net cash used in investing activities	**(6,059,488)**	(3,059,009)	**(4,600,303)**	(764,046)

Statements of Cash Flows
For The Financial Year Ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from rights issue of shares	**997,750**	1,068,640	**997,750**	1,068,640
Proceeds from issuance of RCPS-i B	**-**	1,064,608	**-**	1,064,608
(Refund)/receipt of excess application proceeds from rights issue of shares and RCPS-i B	**(310,412)**	310,412	**(310,412)**	310,412
Proceeds from issuance of ordinary shares				
- exercise of ESOS	**2,862**	7,067	**2,862**	7,067
Payment of share issuance expenses	**(11,963)**	(17,298)	**(11,963)**	(17,298)
Advances from/(repayment to) non-controlling shareholders of subsidiary companies	**126,673**	(1,610)	**-**	-
Drawdown of bank borrowings	**4,624,412**	2,653,433	**2,896,500**	1,057,006
Repayment of bank borrowings	**(1,663,224)**	(1,498,940)	**(986,000)**	(718,000)
Perpetual bond distribution paid	**(36,236)**	(36,236)	**(36,236)**	(36,236)
Redemption of Perpetual bond	**(609,000)**	-	**(609,000)**	-
Interest paid	**(425,335)**	(264,145)	**(167,864)**	(82,243)
Redeemable cumulative preference share dividends paid to non-controlling interests	**(3,175)**	(1,272)	**-**	-
Dividends paid to non-controlling interests	**(18,009)**	(64,256)	**-**	-
Dividends paid	**(104,013)**	(58,411)	**(104,013)**	(58,411)
RCPS-i A preferential dividends paid	**(72,430)**	(42,737)	**(72,430)**	(42,737)
RCPS-i B preferential dividends paid	**(31,495)**	-	**(31,495)**	-
Dividends paid to previous shareholders of I & P Group Sdn Berhad	**-**	(30,000)	**-**	-
Net cash generated from financing activities	**2,466,405**	3,089,255	**1,567,699**	2,552,808
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,697,371)**	944,479	**(3,105,140)**	1,786,430
EFFECT OF EXCHANGE RATE CHANGES	**(17,637)**	(919)	**(683)**	(55)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**5,525,063**	4,581,503	**3,360,129**	1,573,754
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**2,810,055**	5,525,063	**254,306**	3,360,129

Statements of Cash Flows
For The Financial Year Ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Short-term funds	**1,082,940**	1,377,749	**174,139**	820,848
Short-term deposits	**402,552**	322,310	**64,000**	87,000
Cash and bank balances	**1,346,898**	3,846,348	**22,984**	2,470,176
Bank overdrafts (Note 28)	**(22,335)**	(21,344)	**(6,817)**	(17,895)
	2,810,055	5,525,063	**254,306**	3,360,129
Cash and cash equivalents included in the cash flows comprise the following amounts:				
Short-term funds	**1,082,940**	1,377,749	**174,139**	820,848
Short-term deposits	**402,552**	322,310	**64,000**	87,000
Cash and bank balances	**1,398,060**	3,879,241	**39,022**	2,478,450
Bank overdrafts (Note 28)	**(22,335)**	(21,344)	**(6,817)**	(17,895)
	2,861,217	5,557,956	**270,344**	3,368,403
Less: Amounts restricted in sinking fund, debt service reserve, escrow accounts and short-term deposits	**(51,162)**	(32,893)	**(16,038)**	(8,274)
	2,810,055	5,525,063	**254,306**	3,360,129

The accompanying notes form an integral part of the financial statements

>> Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

The financial statements of the Group and of the Company for financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS Framework, hence MFRS 1 *First-time Adoption of Malaysian Financial Standards* has been applied. The MFRS Framework is effective for the Group from 1 January 2018 and the date of transition to the MFRS Framework for the purpose of preparation of the MFRS compliant financial report is 1 January 2017.

As provided in MFRS 1, first-time adopter of MFRS Framework can elect optional exemptions from full retrospective application of MFRS. The Group has elected not to apply MFRS 3 *Business Combinations* and MFRS 10 *Consolidated Financial Statements* retrospectively, that is not to restate any of its business combinations that occurred before the date of transition to MFRS.

In conjunction with the adoption of the MFRS Framework above, the Group has also reassessed the current accounting policies and elected to change its accounting policy on measurement of the Group's investment properties from cost model to fair value model. The change in this accounting policy was applied retrospectively. Except for this change in accounting policy and other changes arising from the adoption of the MFRS Framework as disclosed below, the accounting policies and presentation adopted for this financial report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable periods presented, as if these policies had always been in effect. Comparative information in these financial statements have been restated to give effect to above changes. The two newly effective standards which were adopted pursuant to the adoption of the MFRS Framework, namely MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* have resulted in the following key changes to the financial statements:

MFRS 15: Revenue from Contracts with Customers

The key effects as a result of adopting this standard on the property development activities of the Group are as follows:

i) in respect of sales of properties that do not come under the purview of the Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 23 *Application of MFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties* issued by the Malaysian Institute of Accountants, the Group has to assess if the property has an alternative use to the Group and whether the sales and purchase arrangement provides the Group with an enforceable right to payment for work completed to date, in determining whether or not the sale of property units should be recognised at a point in time (completion method) or over time (percentage of completion method);

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

MFRS 15: Revenue from Contracts with Customers (cont'd)

The key effects as a result of adopting this standard on the property development activities of the Group are as follows: (cont'd)

ii) it requires the identification of separate performance obligations arising from the sale of property units from the various property development projects of the Group, such as the sale of property with complimentary giveaways, and may result in the acceleration or deferment of revenue recognition relating to these separate performance obligations depending on when the related goods and/or services are delivered or satisfied. This would affect the timing of revenue recognition for the property development activities;

iii) it requires the recognition of the financing component relating to the sale of property units under the deferred payment schemes (10:90 schemes). This would result in the recognition of interest income using the effective interest method over the term of the deferment;

iv) it requires that expenses attributable to securing contracts with customers such as commission expense be capitalised and expensed by reference to the progress towards complete satisfaction of the performance obligation; and

v) it views liquidated ascertained damages payable when the developer fails to deliver vacant possession within the stipulated period as consideration payable to customers and is presented as a reduction of the transaction price which would then be accounted for in the profit or loss over the tenure of the respective property development project instead of being accounted for as a direct charge to the profit or loss when the obligation arises.

Apart from the above, pursuant to the adoption of MFRS 15 *Revenue from Contracts with Customers*, the FRSIC Consensus 17 *Development of Affordable Housing*, which requires the upfront recognition of provision for foreseeable losses on the development of affordable housing on an involuntary basis, is no longer effective and was effectively withdrawn on 7 March 2018. This has resulted in the retrospective reversal of the provision for affordable housing previously provided for in the financial statements of the Group.

MFRS 9: Financial Instruments

The classification and measurement requirements of MFRS 9 as disclosed in Note 1(n) did not have a significant impact on the Group and the Company, except that the trade and other current and non-current receivables of the Group and Company, which are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest, and were previously classified as loans and receivables are now classified and referred to as debt instruments at amortised cost. The assessment of the Group's and the Company's business model as disclosed in Note 1(n) to ascertain the classification of these financial assets was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The other key effect of the adoption of this standard on the Group and the Company would principally be in respect of the assessment of impairment losses of outstanding external and internal debts based on an "expected credit loss" model instead of the "incurred loss" model. This may have the effect of accelerating the recognition of impairment losses in respect of these debts if any. The revised basis of assessment of impairment losses have not resulted in a significant effect on the financial statements of the Group and the Company.

The effects on the adoption of the MFRS Framework including the change in the measurement policy for investment properties from cost to fair value are disclosed in Note 50.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Descriptions	Effective for annual periods beginning on or after
MFRS 9 *Prepayment Features with Negative Compensation* (Amendments to MFRS 9)	1 January 2019
MFRS 16 *Leases*	1 January 2019
MFRS 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 *Plan Amendment, Curtailment or Settlement* (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3: *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108: *Definition of Material*	1 January 2020
Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

These standards and interpretations are not expected to have a significant impact on the financial statements in the period of initial application apart from the changes to disclosures and presentation, except as discussed below:

MFRS 16: Leases

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

MFRS 16: Leases (cont'd)

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group and Company are in the midst of assessing the impact of application of this standard on their existing operating leases where they are lessees. Whilst the Group and the Company expect to recognise certain of these leases as right-of-use assets, this is not expected to have a significant impact on the overall results and financial positions of the Group and the Company.

Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 123 Borrowing Costs – Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

Annual Improvements to MFRS Standards 2015–2017 Cycle: MFRS 112 Income Taxes – Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(b) Significant accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the reporting date, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors, including expectations for future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting judgements and estimates (cont'd)

(i) Critical judgement made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed certain criteria based on MFRS 140 *Investment Property* in making that judgement.

In making its judgement, the Group considers whether a property generates cash flows largely independently of other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property, but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods and services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately.

If the portions could not be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production and supply of goods and services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources associated with estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Revenue recognition of property development activities

Revenue on property development activities are recognised in accordance with the accounting policy set out in Note 1(s)(i) below. The terms of the property development contracts and the laws that apply to these contracts, will determine whether the control of the properties sold is transferred and the corresponding revenue is recognised over time or at a point in time.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Revenue recognition of property development activities (cont'd)

The Group recognises certain of its property development activities over time or based on the percentage of completion method using the input method which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation and this includes determining the extent of property development costs incurred and the total estimated costs of property development, which in turn is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group. In making these judgements, management relies on past experience and the work of specialists.

Capitalisation of borrowing costs

The Group capitalises borrowings cost during the period in which development activities are being undertaken or where there is on-going development activities which benefits an entire township.

Significant judgement is involved in determining whether the development activities carried out meet the criteria of an active development in ascertaining whether or not borrowing costs incurred should be capitalised. Besides that, management is also required to estimate the appropriate apportionment of borrowing costs eligible for capitalisation to the various development phases.

The borrowing costs capitalised are as disclosed in Note 3 and 4.

Allowance for stock obsolescence and inventories write down

Inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices.

Inventories are reviewed on a regular basis and the Group will make an allowance for excess or obsolete inventories based primarily on historical trends and management estimates of expected and future product demand and related pricing.

The carrying amounts of the Group's inventories as at 31 December 2018 are disclosed in Note 4.

Demand levels, technological advances and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories and additional allowances for slow moving inventories may be required.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent professional valuers to perform valuations on its investment properties at each reporting date. The valuation methodology commonly used is the comparison method which is based on comparable historical transactions adjusted for specific market factors such as location, size, condition, accessibility and design of the respective properties and the investment method which entails determination of the net income applying suitable growth rates and capitalising of the net income by a suitable rate of return. Certain properties were valued based on the cost method which is based on current estimates of construction costs less depreciation, obsolescence and existing physical conditions of the respective properties.

The details of the investment properties are disclosed in Note 3 whilst the valuation techniques and key assumptions applied on the determination of the fair values are disclosed in Note 46(a).

Impairment of investment in subsidiary companies

At the reporting date, the Company reviewed its investments in subsidiary companies for indications of impairment and where such indications exist, the Company performed an impairment assessment to determine the recoverable amounts of such investments. The Company estimated the recoverable amount of the respective cash generating units ("CGU"s) based on their fair value less cost to sell or their respective value-in-use ("VIU"), whichever is higher. Estimating the VIU of the CGUs involved estimates made by management relating to the future cash inflows and outflows that will be derived from the CGUs, and discounting them at the appropriate rate. The cash flow forecasts included a number of significant judgements and estimates such as the revenue growth rate, discount rate and terminal growth rate.

There were no impairment losses recognised in respect of the investment in subsidiary companies during the current financial year. The carrying amount of the investment in subsidiary companies is as disclosed in Note 8.

Income taxes

Significant judgement is involved in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Income taxes (cont'd)

The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's and the Company's tax assets as at 31 December 2018 were RM131,991,000 and RM Nil (2017: RM148,682,000 and RM Nil) respectively.

The carrying amount of the Group's and the Company's tax liabilities as at 31 December 2018 were RM26,267,000 and RM9,274,000 (2017: RM79,749,000 and RM6,296,000).

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences, capital allowances and tax losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of the Group's and the Company's recognised and unrecognised deferred tax assets as at 31 December 2018 are disclosed in Note 15.

(c) Subsidiary companies

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses. The method of assessing impairment of the investment in subsidiary companies is as disclosed in Note 1(o) below. Impairment losses are charged to profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary company disposed off is taken to profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of all its subsidiary companies made up to the end of the financial year. The consolidated financial statements are prepared using uniform accounting policies for like transactions in similar circumstances.

The Group controls an investee if and only if the Group has all the followings:

(i) power over the entity;
(ii) exposure, or rights, to variable returns from its involvement with the entity; and
(iii) the ability to use its power over the entity to affect the amount of the investor's returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
(ii) potential voting rights held by the Company, other vote holders or other parties;
(iii) rights arising from other contractual arrangements; and
(iv) any additional facts and circumstances that indicated that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

All subsidiary companies are consolidated using the acquisition method of accounting from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases except for I & P Group Sdn Berhad, Syarikat Kemajuan Jerai Sdn Bhd and Wawasan Indera Sdn Bhd which are accounted for based on the pooling of interests method.

Business combinations under common control are accounted for using the pooling of interests method, where the results of entities or businesses under common control are accounted for as if the combination had been effected throughout the current and previous financial periods. The assets, liabilities and reserves of these entities are recorded at their pre-combination carrying amounts or existing carrying amounts are accounted for from the perspective of the common shareholder. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reserve on acquisition arising from common control.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of consolidation (cont'd)

Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the fair values of the assets acquired, liabilities incurred or assumed and equity instruments issued at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the acquisition date.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interests in the subsidiary. Acquisition-related costs are expensed as incurred.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interests in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interests in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is stated at cost less accumulated impairment losses. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

Non-controlling interests are the part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the shareholders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in retained earnings within equity attributable to the shareholders of the Company.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in associated companies and joint ventures

An associated company is an entity in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

In the Company's separate financial statements, investments in associated companies and joint ventures are stated at cost less impairment losses. The method of assessing impairment of the investment in associated companies and joint ventures is as disclosed in Note 1(o) Impairment of non-financial assets. Impairment losses are recognised in profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the associated companies and the joint ventures are included in profit or loss.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method, the investments in associated companies and joint ventures are initially recognised at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associated companies and joint ventures. Distribution received from associated companies and joint ventures reduce the carrying amount of the investment. Where there has been change recognised in other comprehensive income by the associated companies and joint ventures, the Group recognised its share of such changes in other comprehensive income.

An investment in an associated company or a joint venture is accounted for using the equity method from the date on which the Group obtains significant influence or joint control until the date the Group ceases to have a significant influence or joint control over the associated company or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'share of results of associated companies and joint ventures' in the statement of profit or loss.

Discount on acquisition is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of results of the associated companies or joint ventures in the period in which the investment is acquired.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in associated companies and joint ventures (cont'd)

Equity accounting is discontinued when the carrying amount of the investment in an associated company or a joint venture diminishes by virtue of losses to zero, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associated company or the joint venture.

The results and reserves of associated companies or joint ventures are accounted for in the consolidated financial statements based on audited and/or unaudited management financial statements made up to the end of the financial year and prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

When changes in the Group's interests in an associated company or a joint venture do not respectively result in a loss of significant influence and loss of joint control, the retained interests in the associated company or joint venture are not remeasured. Any gain or loss arising from the changes in the Group's interests in the associated company or joint venture is recognised in profit or loss.

When the Group ceases to have significant influence over an associated company or joint control over a joint venture, any retained interest in the former associated company or joint venture is recognised at fair value on the date when significant influence or joint control is lost. Any gain or loss arising from the loss of significant influence or joint control over an associated company or joint venture respectively is recognised in profit or loss.

(f) Property, plant and equipment

(i) *Measurement basis*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of an asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, plant and equipment (cont'd)

(ii) *Depreciation*

Freehold land and capital work-in-progress are not depreciated.

Depreciation is calculated to write off the depreciable amount of other property, plant and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost.

The principal annual rates used for this purpose are:

Leasehold land	Lease term of 99 years
Buildings	2% - 10%
Plant, machinery, cranes and trucks	5% - 20%
Renovations, computer equipment, office equipment, furniture and fittings	5% - 33%
Motor vehicles	20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

(g) Investment properties

Investment properties are properties which are owned or held under a freehold and leasehold interest either to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. The fair value assessment is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and categories of the properties being valued.

When the fair value of the Investment Property Under Construction ("IPUC") is not reliably determinable, the IPUC is measured at cost until either its fair value has been reliably determinable or construction is complete, whichever is earlier. Investment properties are derecognised either when they have been disposed off (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in MFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Build-Operate-Transfer ("BOT") agreement

The Group recognises revenue from the construction and upgrading of infrastructure projects under BOT agreement in accordance with the accounting policy for construction contracts set out in Note 1(m) below. Where the Group performs more than one service under the arrangement, consideration received or receivable is allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 1(n) below.

When the consideration receivable does not represent an unconditional right to receive cash or another financial asset, the Group recognises the consideration receivable as either development rights or as intangible assets, based on the allocation of the fair value of the construction services rendered. The accounting policies for the development rights and intangible assets are disclosed in Notes 1(k)(iii) and 1(i) respectively.

Subsequent costs and expenditures related to infrastructure and equipment arising from the Group's commitments to the BOT agreement or that increase future revenue are recognised as additions to the intangible asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognised as property, plant and equipment, and accounted for in accordance with the policy stated under property, plant and equipment in Note 1(f) above. When the Group has contractual obligations that it must fulfil as a condition of its license to:

- maintain the infrastructure to a specified standard; or
- restore the infrastructure when the infrastructure has deteriorated below a specified condition,

it recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 1(w) below. Repairs and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

(i) Intangible assets

Intangible assets are recognised to the extent that the Group has acquired a right (a licence) to charge users of public services.

Intangible assets are stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(o) below.

Amortisation of the intangible assets begins when it is available for use, which means when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The right to operate Subterranean Penang International Convention & Exhibition Centre ("SPICE") is amortised over a period of 30 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceed and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments for the right to use an asset for an agreed period of time. A lease is classified at the inception date as a finance lease or operating lease.

(i) As Lessee

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Title may or may not eventually be transferred. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are stated net of accumulated depreciation and any impairment losses. A leased asset is depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is determinable; if not, the Group's incremental borrowing rate is used.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As Lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 1(s)(vi) below.

When the assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

(i) Inventory properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:
- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Non-refundable commission cost.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sales.

Inventory properties under construction are referred to as property development costs and comprise the cost of land, direct building costs and a share of development costs common to the entire development project where applicable. Once sold, the cost of these inventories is recognised in profit or loss as and when control passes to the respective customers.

Units of development properties completed and held for sale are stated at the lower of cost and net realisable value. Costs comprise costs of acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects and direct building costs.

Inventory properties where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle are referred to as land held for development and classified within non-current assets. Generally no significant development work would have been undertaken on these lands other than infrastructure work, earth work and landscape work incurred to prepare the land for development and these inventory properties are stated at cost plus incidental expenditure incurred to put the land in a condition ready for development. These inventory properties are classified to current assets at the point when active development project activities have commenced and when it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Raw materials, consumable goods and others

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. In the case of finished goods and work-in-progress, cost comprises materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

Net realisable value represents the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated cost to completion.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories (cont'd)

(iii) Development rights

Development rights represent the rights to additional density over and above the maximum permissible density for the Group's development projects within the island of Penang, granted pursuant to a BOT agreement for the construction and refurbishment of the Subterranean Penang International Convention & Exhibition Centre ("SPICE") and complementary retail, food and beverage outlets and offices.

Development rights are recognised to the extent that the Group has performed the construction services for the BOT agreement. Development rights are initially measured at cost, which is represented by the allocated fair value of the construction services rendered.

Development rights recognised are included as part of the cost of the land held for property development or the property development costs of the Group, based on the allocation of the expected utilisation of the development rights for the planned property development projects of the Group.

(l) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. In the case of property development and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to date. A contract asset is stated at cost less accumulated impairment. Contract assets are subject to impairment in accordance of MFRS 9 *Financial Instruments*.

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. In the case of property development and construction contracts, contract liability is the excess of the billings to date over the cumulative revenue earned. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

(m) Long term construction contracts

The Group's long term construction contracts are all fixed price contracts and where their outcome can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that costs incurred to-date bear to the estimated total costs, and for this purpose, only those costs that reflect actual contract work performed are included as costs incurred.

Where the outcome of a long term construction contract cannot be reasonably estimated, revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. At the same time, all contract costs incurred are recognised as an expense in the period in which they are incurred.

Costs that relate directly to a contract and which are incurred in securing the contract are also included as part of contract costs if they can be separately identified and measured reliably and it is probable that the contract will be secured.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Long term construction contracts (cont'd)

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in profit or loss irrespective of whether contract work has commenced or not, or of the stage of completion of contract activity, or of the amounts of profits expected to arise on other unrelated contracts.

On the statement of financial position, contracts in progress are reflected either as contract assets which is the surplus of (i) costs incurred plus profits recognised under the percentage of completion method or over time, over (ii) recognised foreseeable losses plus progress billings. A contract liability would represent the surplus of (ii) over (i).

(n) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company applied the practical expedient, the Group and the Company have initially measured a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial instruments - initial recognition and subsequent measurement (cont'd)

(i) Financial assets (cont'd)

Subsequent measurement

For purposes of subsequent measurement, financial assets of the Group and of the Company are classified into two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost are disclosed in Note 45.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("OCI"), debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with the net changes in fair value recognised in the statement of profit or loss.

This category includes investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial instruments - initial recognition and subsequent measurement (cont'd)

(i) Financial assets (cont'd)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group or the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group or the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group or the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group or the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group or the Company has retained.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received together with any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that an asset is impaired.

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has performed its assessment based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In making this assessment, the Group also takes into consideration that it would maintain its name as the registered owner of the properties until full settlement is made by the purchasers or the purchasers' end-financiers.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial instruments - initial recognition and subsequent measurement (cont'd)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, derivative financial instruments and redeemable preference shares.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gain or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings as disclosed in Note 28.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial instruments - initial recognition and subsequent measurement (cont'd)

(ii) Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(o) Impairment of non-financial assets

Property, plant and equipment, intangible asset, investments in subsidiary companies, associated companies and joint ventures

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired.

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Recoverable amounts are estimated for individual assets, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs to.

An impairment loss is recognised whenever the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are charged to profit or loss immediately.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Share capital, Islamic redeemable cumulative preference shares ("RCPS-i A" and "RCPS-i B") and Sukuk Musharakah ("Perpetual bond")

Ordinary shares, RCPS-i A, RCPS-i B and Perpetual bond are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that are potentially unfavourable to the issuer.

Ordinary shares, RCPS-i A and RCPS-i B are recorded at nominal value.

The proceeds received net of any directly attributable transaction costs are credited to share capital or perpetual capital securities.

Dividends on ordinary shares, RCPS-i A and RCPS-i B as well as distribution on Perpetual bond are recognised in equity in the period in which they are declared.

(q) Redeemable cumulative preference shares ("RCPS")

Redeemable cumulative preference shares are classified as financial liabilities in accordance with the substance of the contractual arrangement of the RCPS. Dividends to shareholders of the RCPS are recognised as finance costs, on an accrual basis.

RCPS are measured at amortised cost.

(r) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event not wholly within the control of the Group or of the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group except for contingent liabilities assumed in a business combination of which the fair value can be reliably measured.

(s) Revenue recognition

(i) Revenue from property development

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from property development is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue recognition (cont'd)

(i) Revenue from property development (cont'd)

This is generally established when:

- the promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as its size and location) in the sale and purchase agreements and the attached layout plan and the purchasers could enforce its rights to the promised properties if the Group seeks to sell the unit to another purchaser. The contractual restriction on the Group's ability to direct the promised residential property for another use is substantive and the promised properties sold to the purchasers do not have an alternative use to the Group; and

- the Group has the right to payment for performance completed to date and is entitled to continue to transfer to the customer the development units promised and has the rights to complete the construction of the properties and enforce its rights to full payment.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group and the Company recognise revenue over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

The Group has determined that it has a significant financing component related to the sales of its property units being developed under the deferred payment scheme (10:90 scheme). As a result of this the amount of the promised consideration is adjusted for the significant financing component and the related interest income is recognised using the effective interest method over the term of the deferment.

(ii) Revenue from construction contracts

Under such contracts, the Group is engaged to construct buildings and related infrastructure and in certain instances to supply equipments. These contracts may include multiple promises to the customers and therefore accounted for as separate performance obligations. The fair value of the revenue, which is based on fixed price under the agreement will be allocated based on relative stand-alone selling price of the considerations of each of the separate performance obligations.

The Group recognises construction revenue over time as the project being constructed has no alternative use to the Group and it has an enforceable right to the payment for performance completed to date. The stage of completion is measured using the input method, which is based on the total actual construction cost incurred to date as compared to the total budgeted costs for the respective construction projects.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue recognition (cont'd)

(iii) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration receivable and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(iv) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(v) Interest income

Interest income is recognised on a time proportion basis.

(vi) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(vii) Management fees

Management fees are recognised when services are rendered.

(viii) Recreational club operations

Revenue from recreational club operations consists of recreational club membership fees, monthly subscription fees, sports and other recreational facilities. Where there are more than one performance obligations, the transaction price will be allocated to each of the separate performance obligations. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from recreational club activities including subscription fees but excluding club membership fees are recognised when the services are rendered. The payment of the transaction price is due immediately upon delivery of the services. Recreational club membership fees which are received upfront are recognised on a straight-line basis over the tenure of the respective memberships.

(ix) Resort operations

Revenue from rental of resort room, sale of food and beverage and other related income are recognised on accrual basis.

(t) Foreign currencies

(i) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of each entity within the Group are measured using their respective functional currencies.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Foreign currencies (cont'd)

(ii) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated at foreign exchange rates ruling at that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of the transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair values were determined.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in profit or loss for the period.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any corresponding exchange gain or loss is recognised in profit or loss.

(iii) Translation of foreign operations

For consolidation purposes, all assets and liabilities of foreign operations that have a functional currency other than RM (including goodwill and fair value adjustments arising from the acquisition of the foreign operations) are translated at the exchange rates ruling at the reporting date.

Income and expense items are translated at exchange rates approximating those ruling on transactions dates.

All exchange differences arising from the translation of the financial statements of foreign operations are dealt with through the exchange translation reserve account within equity. On the disposal of a foreign operation, the exchange translation differences relating to that foreign operation are recognised in profit or loss as part of gain or loss on disposal.

(u) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave, paid sick leave, maternity leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees other than those that are attributable to property development activities or construction contract in which case such expenses are recognised in the property development costs or contract costs.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Employee benefits (cont'd)

(ii) Post-employment benefits

The Company and its subsidiary companies incorporated in Malaysia make contributions to the Employees Provident Fund ("EPF") and foreign subsidiary companies make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as expenses in the period in which the employees render their services.

(iii) Share-based payment transactions

The Group operates an equity-settled share-based long term incentive plan ("LTIP" or "Scheme"), which comprises the Employee Share Grant Plan ("ESGP") and Employee Share Option Scheme ("ESOS") for its employees and Executive Directors.

ESGP

Employees and Executive Directors are entitled to ESGP in the form of Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") as consideration for services rendered. The RSP is a restricted share plan for employees and Executive Directors, while the PSP is a performance share plan for selected senior management and Executive Directors.

The RSP and PSP are settled by way of issuance and transfer of new shares upon vesting. The total fair value of RSP and PSP granted is recognised as an employee cost with a corresponding increase in the share options reserve within equity over the vesting period after taking into account the probability that the RSP and PSP will vest.

The fair value of RSP and PSP is measured at grant date, taking into account, if any, the market vesting conditions upon which the RSP and PSP were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest on the vesting date.

At each reporting date, the Group revises its estimates of the number of RSP and PSP that are expected to vest on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based payment reserve.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Employee benefits (cont'd)

(iii) Share-based payment transactions (cont'd)

ESOS

The ESOS allows the Group's employees and Executive Directors to acquire shares of the Company. The total fair value of share options granted is recognised as an employee cost with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of share options is measured at grant date using the binomial model, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based payment reserve.

The fair value of the share options recognised in the share-based payment reserve is transferred to share capital when the share options are exercised, or transferred to retained earnings upon expiry of the share-based payment options.

The proceeds received net of any direct attributable transaction costs are credited to equity when the option are exercised.

(v) Borrowing costs

Borrowing costs incurred on assets under development that take a substantial period of time for completion are capitalised into the carrying value of the assets. Capitalisation of borrowing costs ceases when that assets are completed or during extended periods when active development is interrupted.

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

(w) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiary companies, associated companies and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiary companies, associated companies and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, short-term deposits with licensed banks and other financial institutions and fixed income trust funds, which are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and exclude sinking fund, debt service reserve, escrow accounts and short-term deposits pledged to secure banking facilities.

(z) Operating segments

Segment reporting in the financial statements is presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to each operating segment. Operating segments are distinguishable components of the Group that engage in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker to decide how to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

Segment revenues, expenses, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenues, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

(aa) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(aa) Current versus non-current classification (cont'd)

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(ab) Fair value measurement

The Group measures financial instruments, such as short-term funds, quoted and unquoted securities, and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether the transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ab) Fair value measurement (cont'd)

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties, financial assets and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management. Selection criteria of external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movement in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(ac) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the assets and liabilities in a disposal group is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, disposal groups are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant, machinery, cranes and trucks RM'000	Computer equipment, office equipment, renovations, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Group								
2018								
Cost								
At 1.1.2018	29,174	14,242	280,655	36,909	170,241	36,769	75,935	643,925
Additions	-	-	2,178	5,400	22,916	3,681	62,150	96,325
Disposals	-	-	-	(19)	(4,377)	(1,781)	-	(6,177)
Write-offs	-	-	-	-	(6,297)	(544)	(240)	(7,081)
Transfer from inventories - property development costs (see Note 4)	-	-	-	-	9,827	-	-	9,827
Net transfer from investment properties (see Note 3)	322	-	21,704	-	-	-	-	22,026
Reclassification	-	-	(5,134)	551	6,595	-	(2,012)	-
Acquisition of new subsidiary company	-	-	-	-	15	116	-	131
Exchange differences	-	-	(867)	(1)	(247)	(21)	-	(1,136)
At 31.12.2018	29,496	14,242	298,536	42,840	198,673	38,220	135,833	757,840
Accumulated depreciation								
At 1.1.2018	-	329	46,846	21,754	127,300	22,337	-	218,566
Charge for the year	-	146	6,977	4,040	13,992	3,059	-	28,214
Disposals	-	-	-	(19)	(3,875)	(1,279)	-	(5,173)
Write-offs	-	-	-	-	(6,285)	(544)	-	(6,829)
Net transfer to investment properties (see Note 3)	-	-	(1,441)	-	-	-	-	(1,441)
Reclassification	-	-	(1,184)	-	1,184	-	-	-
Acquisition of new subsidiary company	-	-	-	-	15	38	-	53
Exchange differences	-	-	(24)	-	(90)	(3)	-	(117)
At 31.12.2018	-	475	51,174	25,775	132,241	23,608	-	233,273
Accumulated impairment losses								
At 1.1.2018/31.12.2018	-	-	202	-	37	-	-	239
Net carrying amount								
At 31.12.2018	29,496	13,767	247,160	17,065	66,395	14,612	135,833	524,328

2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant, machinery, cranes and trucks RM'000	Computer equipment, office equipment, renovations, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Group								
2017								
Cost								
At 1.1.2017	33,485	14,242	274,231	26,509	157,466	34,011	37,943	577,887
Additions	-	-	16,933	5,053	15,883	5,308	48,277	91,454
Disposals	(4,164)	-	(31,909)	(299)	(5,546)	(2,535)	-	(44,453)
Liquidation of subsidiary company	-	-	-	-	(136)	-	-	(136)
Write-offs	-	-	-	-	(1,879)	(4)	-	(1,883)
Transfer to asset held for sale (see Note 21)	(147)	-	(1,737)	-	-	-	-	(1,884)
Transfer from inventories - property development costs (see Note 4)	-	-	23,995	-	-	-	-	23,995
Reclassification	-	-	-	5,646	4,639	-	(10,285)	-
Exchange differences	-	-	(858)	-	(186)	(11)	-	(1,055)
At 31.12.2017	29,174	14,242	280,655	36,909	170,241	36,769	75,935	643,925
Accumulated depreciation								
At 1.1.2017	-	183	43,366	19,354	118,799	20,988	-	202,690
Charge for the year	-	146	6,479	2,699	12,773	3,349	-	25,446
Disposals	-	-	(2,104)	(299)	(2,640)	(1,995)	-	(7,038)
Liquidation of subsidiary company	-	-	-	-	(132)	-	-	(132)
Write-offs	-	-	-	-	(1,369)	(3)	-	(1,372)
Transfer to asset held for sale (see Note 21)	-	-	(826)	-	-	-	-	(826)
Exchange differences	-	-	(69)	-	(131)	(2)	-	(202)
At 31.12.2017	-	329	46,846	21,754	127,300	22,337	-	218,566
Accumulated impairment losses								
At 1.1.2017/31.12.2017	-	-	202	-	37	-	-	239
Net carrying amount								
At 31.12.2017	29,174	13,913	233,607	15,155	42,904	14,432	75,935	425,120

2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Computer equipment, office equipment, renovations, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Company			
2018			
Cost			
At 1.1.2018	**2,344**	**8**	**2,352**
Disposals	**(15)**	**-**	**(15)**
At 31.12.2018	**2,329**	**8**	**2,337**
Accumulated depreciation			
At 1.1.2018	**2,343**	**7**	**2,350**
Disposals	**(14)**	**-**	**(14)**
At 31.12.2018	**2,329**	**7**	**2,336**
Net carrying amount			
At 31.12.2018	**-**	**1**	**1**
2017			
Cost			
At 1.1.2017/31.12.2017	2,344	8	2,352
Accumulated depreciation			
At 1.1.2017/31.12.2017	2,343	7	2,350
Net carrying amount			
At 31.12.2017	1	1	2

Freehold land and buildings of the Group included above at a net carrying amount of RM108,296,000 (2017: RM99,433,000) have been charged to banks to partially secure the long term borrowings, revolving credits and bank overdrafts referred to in Note 28 below.

3. INVESTMENT PROPERTIES

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
At beginning of the year	**1,943,089**	1,752,222	**3,243**	3,243
Additions	**142,944**	204,063	**-**	-
Disposals	**(14,000)**	(65,000)	**-**	-
Transfer to property, plant and equipment *(see Note 2)*	**(23,467)**	-	**-**	-
Transfer from inventories -property development costs *(see Note 4)*	**-**	31,381	**-**	-
Gain on changes in fair value *(see Note 33)*	**15,007**	22,703	**-**	-
Exchange differences	**(4,167)**	(2,280)	**-**	-
At end of the year	**2,059,406**	1,943,089	**3,243**	3,243
Included in the above are:				
At fair value:				
Freehold land and building	**1,195,324**	1,168,522	**1,273**	1,273
Leasehold land and building	**827,220**	25,154	**1,970**	1,970
	2,022,544	1,193,676	**3,243**	3,243
At cost:				
Investment properties under construction	**36,862**	749,413	**-**	-
	2,059,406	1,943,089	**3,243**	3,243

The Group's investment properties at a net carrying amount of RM1,305,131,000 (2017 (restated): RM1,184,876,000) have been charged to banks to secure the borrowings referred to in Note 28 below.

Included under the Group's investment properties is borrowing costs of RM15,835,000 (2017: RM26,054,000) incurred during the financial year.

The fair values of the investment properties of the Group were assessed with reference to open market value of properties in the similar vicinity. The fair value of the investment properties as at 31 December 2018 was substantially arrived at via valuations performed by certified external valuers.

Investment properties of the Group are measured at fair value except for investment properties under construction which are measured at cost until either the fair value becomes reliably determinable or when construction is completed, whichever is earlier.

The fair value hierarchy of the investment properties are disclosed in Note 46.

4. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000 Restated
Non-current		
Land held for property development *[Note (a)]*	**12,720,220**	10,367,808
Current		
At cost:		
- Property development costs *[Note (b)]*	**3,418,097**	1,839,648
- Completed properties	**1,581,063**	1,695,776
- Consumable goods, raw materials and others	**5,883**	6,232
	5,005,043	3,541,656
Total inventories	**17,725,263**	13,909,464

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM2,246,703,000 (2017 (restated): RM2,522,033,000).

The following inventories have been charged to various banks to partially secure the borrowings referred to in Note 28 below:

	Group	
	2018 RM'000	2017 RM'000 Restated
Land held for property development	**6,434,357**	4,896,857
Property development costs	**1,400,990**	778,805
Completed properties	**1,349,245**	663,043
	9,184,592	6,338,705

4. INVENTORIES (CONT'D)

(a) Land Held For Property Development

	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Group				
2018				
Cost				
At 1.1.2018	**5,503,618**	**1,448,915**	**3,415,275**	**10,367,808**
Additions	**631,625**	**298,774**	**596,581**	**1,526,980**
Disposals	**(2,368)**	**(289)**	**(89)**	**(2,746)**
Transfer to inventories - property development costs *(see Note (b))*	**(413,462)**	**(902,664)**	**(308,576)**	**(1,624,702)**
Reclassification	**(323)**	**-**	**323**	**-**
Acquisition of new subsidiary company	**-**	**2,282,963**	**196,334**	**2,479,297**
Exchange differences	**(11,986)**	**(14,189)**	**(242)**	**(26,417)**
At 31.12.2018	**5,707,104**	**3,113,510**	**3,899,606**	**12,720,220**
Group 2017 Restated				
Cost				
At 1.1.2017	4,350,019	631,630	3,141,362	8,123,011
Additions	1,296,670	895,824	579,221	2,771,715
Transfer to inventories - property development costs *(see Note (b))*	(133,799)	(50,687)	(305,145)	(489,631)
Exchange differences	(9,272)	(27,852)	(163)	(37,287)
At 31.12.2017	5,503,618	1,448,915	3,415,275	10,367,808

Included in additions incurred during the financial year are borrowing costs and development rights of RM184,377,000 and RM Nil (2017: RM75,809,000 and RM25,810,000) respectively.

4. INVENTORIES (CONT'D)

(b) Property Development Costs

	Group	
	2018 RM'000	2017 RM'000 Restated
Freehold land at cost	**784,429**	1,437,148
Leasehold land at cost	**227,851**	340,019
Development costs	**3,835,424**	5,425,855
Costs recognised as an expense in previous years	**(3,008,056)**	(4,734,748)
At 1 January	**1,839,648**	2,468,274
Costs transferred to property, plant and equipment *(see Note 2)*		
- leasehold land	**-**	(447)
- development costs	**(9,827)**	(23,548)
Costs transferred from inventories - land held for property development		
- freehold land	**413,462**	133,799
- leasehold land	**902,664**	50,687
- development costs	**308,576**	305,145
Costs reclassed to investment properties *(see Note 3)*		
- freehold land	**-**	(3,553)
- development costs	**-**	(27,828)
Costs incurred/(reversed) during the year		
- freehold land	**322,432**	25,521
- leasehold land	**(5,262)**	8,896
- development costs	**1,735,425**	1,974,106
Exchange differences	**(12,243)**	(1,264)
	3,655,227	2,441,514

4. INVENTORIES (CONT'D)

(b) Property Development Costs (cont'd)

	Group	
	2018 RM'000	2017 RM'000 Restated
Less: Completed development projects		
- freehold land	**(301,815)**	(754,601)
- leasehold land	**(66,166)**	(154,415)
- development costs	**(2,953,760)**	(3,165,940)
- accumulated costs recognised as expense	**3,321,741**	4,074,956
	-	-
Costs recognised as an expense in current year	**(1,625,234)**	(2,357,223)
Unsold completed properties transferred to inventories	**(451,544)**	(712,917)
At 31 December		
Freehold land at cost	**1,144,972**	784,429
Leasehold land at cost	**1,069,897**	227,851
Development costs	**2,446,468**	3,835,424
Costs recognised as an expense	**(1,243,240)**	(3,008,056)
	3,418,097	1,839,648

Included under development and construction costs incurred during the financial year are borrowing costs and development rights of RM54,038,000 and RM Nil (2017: RM32,459,000 and RM20,224,000) respectively.

5. INTANGIBLE ASSET - RIGHT TO OPERATE SPICE

	Group	
	2018 RM'000	2017 RM'000
Cost		
At beginning of the year	**16,025**	11,633
Additions	**-**	4,392
At end of the year	**16,025**	16,025
Accumulated amortisation		
At beginning of the year	**528**	-
Charge for the year	**704**	528
At end of the year	**1,232**	528
Net carrying amount		
At end of the year	**14,793**	15,497

The Group has entered into a BOT agreement with Majlis Perbandaran Pulau Pinang ("MPPP") to construct the Subterranean Penang International Convention & Exhibition Centre ("SPICE") and complementary retail, food and beverage outlets and offices. The terms of the arrangement also require the Group to improve and refurbish the existing Penang International Sports Arena indoor stadium and aquatic centre.

The terms of the arrangement allow the Group to operate SPICE for up to a period of thirty years ("Concession Period") after the completion of construction. Upon expiry of the concession arrangement, subject to the agreement between the Group and MPPP, the Group may be able to operate SPICE for two further terms, consisting of a period of not less than fifteen years each.

The BOT agreement also grants the Group the right to additional density for the Group's development project within the island of Pulau Pinang. Such development rights are limited to 1,500 residential units. The development rights are only exercisable during the Concession Period and any right not exercised by the end of the Concession Period shall lapse.

6. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Unquoted ordinary shares, at cost	**35,821**	35,821	**900**	900
Capital contribution to an associated company, at cost	**94,721**	94,721	**94,721**	94,721
Group's share of post- acquisition profits less losses	**402,296**	378,832	**-**	-
Group's share of non-distributable reserves	**9,182**	13,447	**-**	-
Impairment losses	**(1,372)**	(1,372)	**-**	-
	540,648	521,449	**95,621**	95,621

The associated companies are as follows:

		Equity interests				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2018 %	2017 %	2018 %	2017 %		
∞	PTB Property Developer Sdn Bhd	**-**	-	**49**	49	Malaysia	Dormant
∞	Qinzhou Development (Malaysia) Consortium Sdn. Bhd.	**45**	45	**-**	-	Malaysia	Investment holding
∞	China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co. Ltd	**-**	-	**22**	22	China	Property development
*#	Tanah Sutera Development Sdn. Bhd.	**-**	-	**35**	35	Malaysia	Property development and investment in real properties
*#	Tanah Sutera Management Sdn. Bhd.	**-**	-	**35**	35	Malaysia	Property management

6. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

		Equity interests				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2018 %	2017 %	2018 %	2017 %		
*#	Merit Properties Sdn. Bhd.	**-**	-	**20**	20	Malaysia	Property development, investment in real properties and providing management services
#	German Clay Products (M) Sdn. Bhd.	**-**	-	**-**	45	Malaysia	Struck-off
#	Hock Lam Batu Bata Sdn. Bhd.	**-**	-	**-**	45	Malaysia	Struck-off
∞# ß	Fahim-I Hitech Sdn. Bhd.	**-**	-	**20**	20	Malaysia	Dormant

* *Audited by member firms of Ernst & Young*
∞ *Audited by a firm other than Ernst & Young*
ß *Financial year end 30 June*
I & P Group: Acquisition completed on 1 December 2017, accounted for using pooling of interests method

For the purpose of applying the equity method of accounting, the management accounts of these associated companies for the financial year ended 31 December 2018 have been used.

Summarised financial information in respect of the Group's material associated companies is set out below. The summarised financial information below represents amounts based on the associated companies' financial statements adjusted for any material differences with the Group's accounting policies.

6. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Summarised statements of financial position:

	Tanah Sutera Development Sdn. Bhd. Group		Merit Properties Sdn. Bhd.	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Non-current assets	**627,194**	625,985	**415,666**	405,345
Current assets				
Cash and cash equivalents	**185,227**	144,373	**34,063**	23,105
Other current assets	**259,857**	292,783	**2,094**	1,496
	445,084	437,156	**36,157**	24,601
Non-current liabilities				
Trade and other payables and provisions	**29,632**	54,789	**-**	-
Other non-current liabilities	**29,057**	26,975	**12,657**	12,314
	58,689	81,764	**12,657**	12,314
Current liabilities				
Trade and other payables and provisions	**61,659**	71,217	**2,656**	2,492
Net assets	**951,930**	910,160	**436,510**	415,140

Summarised statements of comprehensive income:

	Tanah Sutera Development Sdn. Bhd. Group		Merit Properties Sdn. Bhd.	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Revenue	**116,069**	134,943	**4,585**	5,310
Depreciation and amortisation	**(1,823)**	(1,152)	**(13)**	(13)
Interest income	**5,993**	4,276	**1,071**	659
Interest expense	**(1,529)**	(1,797)	**(20)**	(20)
Profit before tax	**61,316**	68,228	**28,229**	27,406
Taxation	**(12,546)**	(15,232)	**(709)**	(422)
Profit for the financial year	**48,770**	52,996	**27,520**	26,984
Total comprehensive income for the financial year	**48,770**	52,996	**27,520**	26,984
Share of results of associated companies	**17,070**	18,549	**5,504**	5,396
Dividend received from associated companies	**2,450**	2,450	**1,230**	1,230

6. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the associated companies are as follows:

	Tanah Sutera Development Sdn. Bhd. Group		Merit Properties Sdn. Bhd.	
	2018 RM'00	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Net assets				
At beginning of the financial year	**910,160**	864,164	**415,140**	394,306
Total comprehensive income for the financial year	**48,770**	52,996	**27,520**	26,984
Dividends paid	**(7,000)**	(7,000)	**(6,150)**	(6,150)
At end of the financial year	**951,930**	910,160	**436,510**	415,140
Group's interest in the associated companies	**35%**	35%	**20%**	20%
Carrying amount at end of the financial year	**333,176**	318,556	**87,302**	83,028

The summarised aggregate financial information of the Group's share of other individually non-material associated companies as at 31 December is set out below:

	2018 RM'000	2017 RM'000
Profit for the year, representing total comprehensive income for the year	**4,570**	2,301
Carrying amount of the Group's interest in individually non-material associated companies	**25,449**	25,144
Capital contribution to an associated company, at cost*	**94,721**	94,721
	120,170	119,865

* This amount relates to the capital contribution to Qinzhou Development (Malaysia) Consortium Sdn Bhd, an associated company which holds the investment in China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co. Ltd. in China.

The capital contribution is unsecured, interest free and is not expected to be recalled within the foreseeable future.

7. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Unquoted ordinary shares/ capital contribution, at cost	**2,588,325**	1,973,965	**33,000**	33,250
Group's share of post-acquisition profits less losses	**235,613**	253,064	**-**	-
Group's share of non- distributable reserves	**(87,346)**	6,105	**-**	-
Unrealised profit on transactions with joint ventures	**-**	(10,498)	**-**	-
LTIP granted to employees of joint ventures	**304**	233	**506**	389
	2,736,896	2,222,869	**33,506**	33,639

The joint ventures are as follows:

		Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2018 %	2017 %	2018 %	2017 %		
	Setia Putrajaya Sdn Bhd	**60**	60	**-**	-	Malaysia	Property development, building construction and investment holding
	Setia Putrajaya Construction Sdn Bhd	**-**	-	**60**	60	Malaysia	Under members' voluntary winding-up
	Setia Putrajaya Development Sdn Bhd	**-**	-	**60**	60	Malaysia	Property development
	Greenhill Resources Sdn Bhd	**-**	-	**50**	50	Malaysia	Property investment holding
	Setia Federal Hill Sdn Bhd *(subsequently acquired remaining 50% stake and recognised as subsidiary company)*	**-**	50	**-**	-	Malaysia	Property development, planning and development of the Kompleks Institut Penyelidikan Kesihatan Bersepadu
#	SetiaBecamex Joint Stock Company	**-**	-	**55**	55	Vietnam	Property development

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

		Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2018 %	2017 %	2018 %	2017 %		
	Retro Highland Sdn Bhd	**50**	50	**-**	-	Malaysia	Property development
#	Battersea Project Holding Company Limited	**-**	-	**40**	40	Jersey	Property investment holding
#	Battersea Power Station Development Company Limited	**-**	-	**40**	40	United Kingdom	Project development management
#	Battersea Power Station Estates Limited	**-**	-	**40**	40	United Kingdom	Property management services

\# *Audited by a firm other than Ernst & Young*

Notwithstanding that the Group has ownership of more than half of the equity shareholding in certain companies, they are treated as joint ventures pursuant to the contractual rights and obligations of the respective joint venture agreements.

The Group's joint ventures are accounted for using the equity method in the financial statements.

The Group's share of capital commitments of the joint ventures at the reporting date are as below:

	2018 RM'000	2017 RM'000
Capital commitments:		
- Commitments for construction of investment properties	**97,964**	35,962
- Commitments for acquisition of development land	**111,214**	115,720

There is no share of contingent liability and operating lease commitment of the joint ventures of the Group as at the reporting date.

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised financial information in respect of the Group's material joint ventures which comprise the Battersea Group of companies which include all Battersea entities listed above, are set out below.

Battersea Group of companies

Summarised statements of financial position:

	2018 RM'000	2017 RM'000 Restated
Non-current assets	**4,431,992**	4,209,708
Current assets		
Cash and cash equivalents	**284,667**	635,600
Other current assets	**7,674,504**	4,964,772
	7,959,171	5,600,372
Non-current liabilities		
Other non-current liabilities	**4,270,392**	3,118,151
Current liabilities		
Trade and other payables and provisions	**1,888,996**	1,651,569
Other current liabilities	**6,700**	19,897
	1,895,696	1,671,466
Net assets	**6,225,075**	5,020,463

Summarised statements of comprehensive income:

	2018 RM'000	2017 RM'000 Restated
Revenue	**133,258**	2,935,051
Depreciation and amortisation	**(12,603)**	(5,652)
Interest income	**253**	295
Interest expense	**(2,242)**	-
Fair value gain on investment properties	**-**	59,435
(Loss)/profit before tax	**(89,138)**	811,963
Taxation	**(9,986)**	(83,762)
(Loss)/profit for the financial year	**(99,124)**	728,201
Total comprehensive (loss)/income for the financial year	**(99,124)**	728,201
Share of results of joint venture company	**(39,650)**	291,280

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in the joint ventures are as follows:

	2018 RM'000	2017 RM'000 Restated
Net assets		
At the beginning of the financial year	**5,020,463**	4,038,272
Acquisition of additional shares during the year	**1,536,526**	302,850
Non-distributable reserves	**(232,790)**	(48,860)
Total comprehensive (loss)/income for the financial year	**(99,124)**	728,201
At end of the financial year	**6,225,075**	5,020,463
Proportion of ownership interest held by the Group	**40%**	40%
Carrying amount of the Group's interest in the joint venture	**2,490,030**	2,008,185

There is no dividend paid by Battersea Group of companies during the financial year (2017: RM Nil).

The summarised aggregate financial information of the Group's share of other individually non-material joint ventures as at 31 December is set out below:

	2018 RM'000	2017 RM'000 Restated
Loss for the year, representing total comprehensive loss for the financial year	**(3,695)**	(7,600)
Carrying amount of the Group's interest in individually non-material joint venture	**246,866**	214,684

8. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares in subsidiary companies, at cost	**4,635,489**	4,185,594
Capital contribution to subsidiary companies, at cost	**4,344,865**	4,344,865
LTIP granted to employees of subsidiary companies	**177,286**	118,036
	9,157,640	8,648,495
Impairment losses	**(60,994)**	(60,994)
	9,096,646	8,587,501

The capital contribution to subsidiary companies represents additional shareholders' net investment. The capital contribution is unsecured, interest free and the repayment of such balances are not expected in the foreseeable future until such time the subsidiary companies are in the position to repay the amount without impairing its liquidity position.

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows:

	Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2018 %	2017 %	2018 %	2017 %		
Bandar Setia Alam Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Indah Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Duta One Sdn Bhd	**100**	100	**-**	-	Malaysia	Under member's voluntary winding-up
Syarikat Kemajuan Jerai Sdn Bhd	**100**	100	**-**	-	Malaysia	Under member's voluntary winding-up
S P Setia Project Management Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development project management
Lagavest Sdn Bhd	**-**	-	**100**	100	Malaysia	Under member's voluntary winding-up
Wawasan Indera Sdn Bhd	**100**	100	**-**	-	Malaysia	Inactive
S P Setia Eco-Projects Management Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development, project management and other related activities
Setia Fontaines Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Ambleside Sdn Bhd	**-**	-	**100**	100	Malaysia	Under member's voluntary winding-up
Bukit Indah (Johor) Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Bina Raya Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Precast Sdn Bhd	**-**	-	**100**	100	Malaysia	Building contractors
Setia-Wood Industries Sdn Bhd	**100**	100	**-**	-	Malaysia	Prefabrication, installation, sale of wood products and provision of kiln dry services
S P Setia Marketing Sdn Bhd	**-**	-	**100**	100	Malaysia	Sale of wood products and building materials

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows: (cont'd)

	Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2018 %	2017 %	2018 %	2017 %		
Setia Readymix Sdn Bhd	**100**	100	**-**	-	Malaysia	Building contractors and manufacturing and sale of building materials
Bukit Indah (Perak) Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
S P Setia Management Services Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding
Futurecrest (M) Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding
Shabra Development Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development
KL Eco City Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Prefab Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding
Manih System Construction Sdn Bhd	**-**	-	**100**	100	Malaysia	Under member's voluntary winding-up
Tenaga Raya Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
Cosmotek Sdn Bhd	**100**	100	**-**	-	Malaysia	Under member's voluntary winding-up
SJ Classic Land Sdn Bhd	**-**	-	**60**	60	Malaysia	Under member's voluntary winding-up
Indera Perasa Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding, property and building management
Dian Mutiara Sdn Bhd	**-**	-	**100**	100	Malaysia	Under member's voluntary winding-up
Setia Eco Templer Recreation Sdn Bhd	**-**	-	**100**	100	Malaysia	Operate and manage a recreation club, banqueting and leasing at retail and food and beverage outlets
Setia IP Holdings Sdn Bhd	**100**	100	**-**	-	Malaysia	Custodian and management of Group's intellectual property rights

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows: (cont'd)

	Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2018 %	2017 %	2018 %	2017 %		
Kenari Kayangan Sdn Bhd	**99.99**	99.99	**-**	-	Malaysia	Under member's voluntary winding-up
Setia Ecohill 2 Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Ecohill Recreation Sdn Bhd	**-**	-	**100**	100	Malaysia	Operate and manage a recreation club
Setia Hicon Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development
S P Setia Technology Sdn Bhd	**100**	100	**-**	-	Malaysia	Provision of money lending service
S P Setia PMC Sdn Bhd	**100**	100	**-**	-	Malaysia	Provision of accounting, finance and corporate secretarial services
Setia Promenade Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Bukit Indah Property Management Sdn Bhd	**70**	70	**-**	-	Malaysia	Property development
Kewira Jaya Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Kay Pride Sdn Bhd	**-**	-	**100**	100	Malaysia	Property development and property investment holding
Aeropod Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development, property investment holding and general construction
Setiahomes (MM2H) Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
Eco Meridian Sdn Bhd	**100**	100	**-**	-	Malaysia	Construction and operation of concession asset and property investment holding
Setia Ecohill Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
S P Setia (Indonesia) Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows: (cont'd)

	Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2018 %	2017 %	2018 %	2017 %		
Setia City Development Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Gita Kasturi Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Intra Hillside Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Alam Recreation Sdn Bhd	**-**	-	**100**	100	Malaysia	Operate and manage a recreation club
Setia Eco Green Sdn Bhd	**100**	100	**-**	-	Malaysia	Property holding
Setia Eco Heights Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
Setia Eco Land Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
KL East Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding
S P Setia Property Services Sdn Bhd	**100**	100	**-**	-	Malaysia	Operation of convention centre
Flexrise Projects Sdn Bhd	**100**	100	**-**	-	Malaysia	Property investment holding
Pelita Mentari Sdn Bhd	**100**	100	**-**	-	Malaysia	Property investment holding
Setia Eco Templer Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia EM (Central) Sdn Bhd	**100**	100	**-**	-	Malaysia	Property management services
S P Setia DMC Sdn Bhd	**100**	100	**-**	-	Malaysia	Development management consultancy
Exceljade Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development
Sendiman Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development
Setia Ventures Excellence Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding and treasury management

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows: (cont'd)

	Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2018 %	2017 %	2018 %	2017 %		
Kemboja Mahir Sdn Bhd	**70**	70	**-**	-	Malaysia	Property development and investment holding
Bandar Eco-Setia Sdn Bhd	**50**	50	**-**	-	Malaysia	Property development and property investment holding
Setia Eco Park Recreation Sdn Bhd	**-**	-	**50**	50	Malaysia	Operate and manage a recreation club
Ganda Anggun Sdn Bhd	**-**	-	**70**	70	Malaysia	Property development
Kesas Kenangan Sdn Bhd	**-**	-	**70**	70	Malaysia	Property development and property investment holding
Setia Eco Glades Sdn Bhd	**70**	70	**-**	-	Malaysia	Property development and property investment holding
Setia Safiro Sdn. Bhd. *(formerly known as Setia Eco Glades 2 Sdn Bhd)*	**70**	-	**-**	-	Malaysia	Property development and property investment holding
Setia Federal Hill Sdn Bhd *(formerly a 50% joint venture of the Group)*	**100**	-	**-**	-	Malaysia	Property development, planning and development of the Kompleks Institut Penyelidikan Kesihatan Bersepadu
Setia International Limited	**100**	100	**-**	-	Malaysia	Investment holding
Setia MyPhuoc Limited	**-**	-	**100**	100	Malaysia	Investment holding
Setia Australia Limited	**-**	-	**100**	100	Malaysia	Investment holding
Setia Lai Thieu Limited	**-**	-	**95**	95	British Virgin Islands	Investment holding

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows: (cont'd)

		Equity interests				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2018 %	2017 %	2018 %	2017 %		
+	Setia Lai Thieu One Member Company Limited	**-**	-	**95**	95	Vietnam	Property development
+	Setia (Melbourne) Development Company Pty Ltd	**-**	-	**100**	100	Australia	Property development
+	Setia St Kilda (Melbourne) Pty Ltd	**-**	-	**100**	100	Australia	Property development
+	Setia Carnegie Pty Ltd	**-**	-	**100**	100	Australia	Property development
+	Setia A'Beckett (Melbourne) Pty Ltd	**-**	-	**100**	100	Australia	Property development
*	Setia Land (China) Limited	**-**	-	**100**	100	Hong Kong	Dormant
+	S P Setia International (S) Pte. Ltd.	**100**	100	**-**	-	Singapore	Promotion, marketing and other activities related to property development
+	Setia (Bukit Timah) Pte. Ltd.	**-**	-	**100**	100	Singapore	Property development
+	S P Setia Development Pte. Ltd.	**100**	100	**-**	-	Singapore	Dormant
+	Setia International Japan Co. Ltd.	**100**	-	**-**	-	Japan	Property development and property investment holding
+	Setia Osaka Tokutei Mokuteki Kaisha	**-**	-	**100**	-	Japan	Property development
α µ	S P Setia Foundation	**-**	-	**-**	-	Malaysia	Promotion and advancement of education, research and dissemination of knowledge
* α µ	Setia Badminton Academy	**-**	-	**-**	-	Malaysia	Promotion of badminton
∞	I & P Group Sdn Berhad ("I & P Group")	**100**	100	**-**	-	Malaysia	Investment holding and provision of management services
∞	I&P Menara Sendirian Berhad	**-**	-	**100**	100	Malaysia	Property development

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows: (cont'd)

		Equity interests				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2018 %	2017 %	2018 %	2017 %		
∞	I&P Alam Impian Sdn. Bhd.	-	-	**99.87**	99.87	Malaysia	Property development
∞	I&P Setiawangsa Sdn. Bhd.	-	-	**100**	100	Malaysia	Property development
∞	Petaling Garden Sdn. Bhd.	-	-	**100**	100	Malaysia	Property development and investment holding
∞	Setia Mayuri Sdn. Bhd. *(formerly known as Corporate Premier Sdn. Bhd.)*	-	-	**100**	100	Malaysia	Property development
∞	Biltmore (M) Sdn. Bhd.	-	-	**100**	100	Malaysia	Property development
∞ ^	PG Resorts Sdn. Bhd.	-	-	**100**	100	Malaysia	Property development
∞	Temasya Development Co. Sdn. Bhd.	-	-	**66.06**	66.06	Malaysia	Property development
∞	Alpine Affluent Sdn. Bhd.	-	-	**66.06**	66.06	Malaysia	Property development
∞	Scenic Promenade Sdn. Bhd.	-	-	**66.06**	66.06	Malaysia	Sublease of land
∞	Syarikat Perumahan Pegawai Kerajaan Sendirian Berhad	-	-	**70.09**	70.09	Malaysia	Development and sale of land, residential and commercial properties and rental of properties
∞	Plaza Damansara Sdn. Bhd.	-	-	**70.09**	70.09	Malaysia	Ceased operation
∞	Perumahan Kinrara Berhad	-	-	**51**	51	Malaysia	Property development and operation of golf course
∞	Kinrara Golf Club Sdn. Bhd.	-	-	**51**	51	Malaysia	Ceased operation
∞	Kinrara Urusharta Sdn. Bhd.	-	-	**51**	51	Malaysia	Ceased operation
∞ #	I&P Kota Bayuemas Sdn. Bhd.	-	-	**51.91**	51.91	Malaysia	Property development
∞	Pelangi Sdn. Bhd.	-	-	**100**	100	Malaysia	Property development and investment holding

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows: (cont'd)

		Equity interests				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2018 %	2017 %	2018 %	2017 %		
∞	Yukong Development (Pte) Limited	-	-	**100**	100	Singapore	Property development and investment in real properties
∞	Taman Gunong Hijau Sdn. Bhd.	-	-	**89.14**	89.14	Malaysia	Property development and investment in real properties
∞	I&P Multi Resources Sdn. Berhad	-	-	**100**	100	Malaysia	Investment holding
∞	I&P Development Sdn. Bhd.	-	-	**100**	100	Malaysia	Ceased operation
∞	I&P Supply Berhad	-	-	**100**	100	Malaysia	Ceased operation
∞	I&P Inderawasih Jaya Sdn. Bhd.	-	-	**100**	100	Malaysia	Property development
∞	Peninsular Land Development Sdn. Berhad	-	-	**100**	100	Malaysia	Ceased operation
∞	I&P Nibong Sdn. Bhd.	-	-	**100**	100	Malaysia	Ceased operation
∞	Perusahaan Minyak Sawit Bintang Sendirian Berhad	-	-	**100**	100	Malaysia	Ceased operation
∞	Yong Peng Realty Sdn. Bhd.	-	-	**100**	100	Malaysia	Ceased operation
∞	Pelangi Concrete Industries Sdn. Bhd.	-	-	**100**	100	Malaysia	Investment holding
∞	Eng Lee Knitting Factory Sdn. Bhd.	-	-	**100**	100	Malaysia	Dormant
∞	Petaling Garden Industrial Estate Sdn. Bhd.	-	-	**100**	100	Malaysia	Ceased operation

* *Audited by a firm other than Ernst & Young*
\+ *Audited by member firms of Ernst & Young Global*
α *A trust established under the Trustees (Incorporation) Act 1952*
μ *S P Setia Berhad has effective interest of 100%*
∞ *I & P Group: Acquisition completed on 1 December 2017, accounted for using pooling of interests method*
\# *51% directly owned by Perumahan Kinrara Berhad and 25.9% directly owned by I & P Group Sdn Berhad*
^ *70% directly owned by Petaling Garden Sdn. Bhd. and 30% directly owned by I & P Group Sdn Berhad*

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Incorporation of new subsidiary companies

During the financial year, the Group incorporated the following new subsidiary companies:

	Consideration	Effective interest	Incorporation date
Setia International Japan Co. Ltd.	JPY 100,000	100%	23 March 2018
Setia Safiro Sdn. Bhd. *(formerly known as Setia Eco Glades 2 Sdn Bhd)*	RM 70,000	70%	29 March 2018
Setia Osaka Tokutei Mokuteki Kaisha	JPY 100,000	100%	19 November 2018

The above subsidiary companies had not commenced operations since its incorporation. The incorporation of these subsidiary companies had no significant impact on the Group's financial position as at the end of the financial year.

Acquisition of remaining 50% equity interest in Setia Federal Hill Sdn Bhd ("Setia Federal Hill")

On 8 March 2018, S P Setia Berhad had entered into a Share Purchase Agreement ("SPA") with Mekar Gemilang Sdn Bhd ("Mekar") to acquire 500,000 ordinary shares, representing the remaining 50% equity interest in Setia Federal Hill for a total cash consideration of RM431,891,000.

The acquisition was duly completed on 13 April 2018. As a result, Setia Federal Hill which was previously a 50% owned joint venture of the Group, became a wholly-owned subsidiary of S P Setia Berhad.

Accordingly, the previously held 50% equity interest in Setia Federal Hill has been remeasured at the acquisition date fair value.

The following summarises the purchase consideration transferred, the remeasurement of existing stake and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2018 RM'000
Inventories - land held for property development	2,479,297
Other assets acquired, excluding cash and cash equivalents	10,652
Cash and cash equivalents acquired	13,380
Borrowings	(676,000)
Deferred tax liabilities	(197,685)
Other liabilities assumed	(886,159)
Net assets acquired	743,485
Less: Purchase consideration for remaining 50% stake settled in cash	(431,891)
Gain on remeasurement of retained equity interest in former joint venture	311,594
Gain on deemed disposal of previously held investment in joint venture	36,942
	348,536

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Acquisition of remaining 50% equity interest in Setia Federal Hill Sdn Bhd ("Setia Federal Hill") (cont'd)

The following summarises the purchase consideration transferred, the remeasurement of existing stake and the recognised amounts of assets acquired and liabilities assumed at the acquisition date: (cont'd)

	2018 RM'000
Purchase consideration settled in cash and cash equivalents	431,891
Cash and cash equivalents acquired	(13,380)
Net cash outflow arising from acquisition of remaining 50% stake in Setia Federal Hill	418,511

Subsidiary companies that have material non-controlling interests

Details of the Group's subsidiary companies that have material non-controlling interests at the end of the reporting period are as follows:

Name of subsidiary company	Place of incorporation and operation	Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests		Carrying amount of non-controlling interests	
		2018	2017	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Bandar Eco-Setia Sdn Bhd Group	Malaysia	50%	50%	22,191	43,058	392,206	376,033
Setia Eco Glades Sdn Bhd	Malaysia	30%	30%	6,345	(4,909)	48,804	43,539
Kesas Kenangan Sdn Bhd	Malaysia	30%	30%	(1,063)	4,112	73,618	74,681
Perumahan Kinrara Berhad Group	Malaysia	49%	49%	12,353	16,847	490,613	481,494
Syarikat Perumahan Pegawai Kerajaan Sendirian Berhad Group	Malaysia	29.91%	29.91%	35,950	14,565	188,014	156,334
Temasya Development Co. Sdn. Bhd. Group	Malaysia	33.94%	33.94%	13,128	31,318	144,710	134,990
Individually immaterial subsidiary companies with non-controlling interests						38,298	26,822
						1,376,263	1,293,893

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Subsidiary companies that have material non-controlling interests (cont'd)

Summarised financial information of the Group's subsidiary companies that have material non-controlling interests (amounts before intra-group elimination) is as follows:

	2018 RM'000	2017 RM'000 Restated
Bandar Eco-Setia Sdn Bhd Group		
Non-current assets	444,546	429,098
Current assets	431,303	410,399
Non-current liabilities	(17,407)	(13,360)
Current liabilities	(74,030)	(74,072)
Net assets	784,412	752,065
Revenue	134,015	215,053
Profit for the year, representing total comprehensive income for the year	44,381	86,116
Dividends paid to non-controlling interests	6,017	20,650
Net cash generated from operating activities	60,817	9,341
Net cash used in investing activities	(16,466)	(5,128)
Net cash used in financing activities	(12,035)	(56,700)
Net increase/(decrease) in cash and cash equivalents	32,316	(52,487)

	2018 RM'000	2017 RM'000 Restated
Setia Eco Glades Sdn Bhd		
Non-current assets	372,674	403,970
Current assets	218,785	226,239
Non-current liabilities	(248,159)	(171,589)
Current liabilities	(180,620)	(313,490)
Net assets	162,680	145,130
Revenue	147,691	83,319
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year	21,150	(16,363)
Dividends paid to non-controlling interests	1,080	1,200
Net cash generated from/(used in) operating activities	31,724	(58,651)
Net cash used in investing activities	(17,887)	(5,493)
Net cash (used in)/generated from financing activities	(16,078)	49,761
Net decrease in cash and cash equivalents	(2,241)	(14,383)

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Subsidiary companies that have material non-controlling interests (cont'd)

Summarised financial information of the Group's subsidiary companies that have material non-controlling interests (amounts before intra-group elimination) is as follows: (cont'd)

	2018 RM'000	2017 RM'000 Restated
Kesas Kenangan Sdn Bhd		
Non-current assets	408,774	436,144
Current assets	201,909	200,124
Non-current liabilities	(141,854)	(147,824)
Current liabilities	(223,437)	(239,508)
Net assets	245,392	248,936
Revenue	63,759	129,651
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year	(3,544)	13,708
Dividends paid to non-controlling interests	-	-
Net cash generated from operating activities	16,538	57,304
Net cash generated from/(used in) investing activities	1,299	(2,974)
Net cash used in financing activities	(3,972)	(23,653)
Net increase in cash and cash equivalents	13,865	30,677

	2018 RM'000	2017 RM'000 Restated
Perumahan Kinrara Berhad Group		
Non-current assets	713,047	702,388
Current assets	434,092	397,940
Non-current liabilities	(62,262)	(66,323)
Current liabilities	(83,626)	(51,364)
Net assets	1,001,251	982,641
Revenue	198,207	184,710
Profit for the year, representing total comprehensive income for the year	25,210	34,381
Dividends paid to non-controlling interests	3,234	11,535
Net cash generated from/(used in) operating activities	42,312	(13,542)
Net cash (used in)/generated from investing activities	(39,433)	30,540
Net cash used in financing activities	(6,600)	(23,539)
Net decrease in cash and cash equivalents	(3,721)	(6,541)

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Subsidiary companies that have material non-controlling interests (cont'd)

Summarised financial information of the Group's subsidiary companies that have material non-controlling interests (amounts before intra-group elimination) is as follows: (cont'd)

	2018 RM'000	2017 RM'000 Restated
Syarikat Perumahan Pegawai Kerajaan Sendirian Berhad Group		
Non-current assets	**320,961**	250,191
Current assets	**328,854**	306,495
Non-current liabilities	**-**	-
Current liabilities	**(21,213)**	(34,003)
Net assets	**628,602**	522,683
Revenue	**248,479**	122,274
Profit for the year, representing total comprehensive income for the year	**120,195**	48,696
Dividends paid to non-controlling interests	**4,270**	17,145
Net cash generated from operating activities	**202,843**	18,525
Net cash (used in)/generated from investing activities	**(30,562)**	75,978
Net cash used in financing activities	**(7,528)**	(110,109)
Net increase/(decrease) in cash and cash equivalents	**164,753**	(15,606)

	2018 RM'000	2017 RM'000 Restated
Temasya Development Co. Sdn. Bhd. Group		
Non-current assets	**111,407**	126,187
Current assets	**412,574**	354,833
Non-current liabilities	**(11,050)**	(11,104)
Current liabilities	**(86,559)**	(72,184)
Net assets	**426,372**	397,732
Revenue	**109,688**	208,143
Profit for the year, representing total comprehensive income for the year	**38,681**	92,274
Dividends paid to non-controlling interests	**3,408**	13,726
Net cash generated from operating activities	**31,804**	110,294
Net cash generated from/(used in) investing activities	**18,859**	(1,485)
Net cash used in financing activities	**(4,169)**	(28,759)
Net increase in cash and cash equivalents	**46,494**	80,050

9. OTHER INVESTMENTS

	Group	
	2018 RM'000	2017 RM'000
Non-current		
At fair value through profit or loss		
Equity instruments (quoted in Malaysia)	**-**	37
Equity instruments (unquoted in Malaysia)	**96**	96
	96	133

10. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

Amounts owing by subsidiary companies included under non-current assets

The amounts owing by subsidiary companies included under non-current assets represent unsecured advances which are not expected to be recalled within the next 12 months and are analysed as follows:

	Company	
	2018 RM'000	2017 RM'000 Restated
Bearing interest at 4.28% to 8.00% (2017: 4.70% to 8.00%) per annum	**3,493,776**	2,356,917
Interest free	**-**	188,408
Unquoted redeemable cumulative preference shares	**134,013**	96,024
	3,627,789	2,641,349

10. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES (CONT'D)

Amounts owing by subsidiary companies included under current assets

	Company	
	2018 RM'000	2017 RM'000
Trade accounts:		
- staff secondment fee	**2,636**	8,851
Unsecured advances:		
- bearing interest at 4.28% to 8.00% (2017: 4.70% to 8.00%) per annum	**1,053,008**	731,511
- interest free	**1,286,900**	759,284
	2,342,544	1,499,646
- allowance for impairment loss	**(1,330)**	(1,330)
	2,341,214	1,498,316

The movements in the allowance for impairment losses during the financial year are as follows:

	Company	
	2018 RM'000	2017 RM'000
Allowance for impairment loss during the year	**1,330**	9,681
Write-off during the year	**-**	(1,874)
Liquidation of a subsidiary company	**-**	(6,477)
At end of the year	**1,330**	1,330

The trade accounts are expected to be settled within the normal credit periods. Unsecured advances are repayable on demand.

Amounts owing to subsidiary companies included under current liabilities

	Company	
	2018 RM'000	2017 RM'000
Unsecured advances:		
- interest free	**132,502**	82,726

The trade accounts are expected to be settled within the normal credit period. The unsecured interest free advances are payable on demand.

11. AMOUNTS OWING BY JOINT VENTURES

Amounts owing by joint ventures included under current assets

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade accounts	**-**	118,149	**-**	18
Unsecured advances:				
- bearing interest at 3.60% to 6.75% (2017: 3.60% to 8.85%) per annum	**111,753**	383,075	**9,424**	271,398
- interest free	**55,964**	83,978	**48,980**	76,489
	167,717	585,202	**58,404**	347,905

The trade accounts are expected to be settled within the normal credit period. Unsecured advances are repayable on demand.

12. AMOUNTS OWING BY ASSOCIATED COMPANIES

Amounts owing by associated companies included under current assets

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unsecured advances:				
- interest free	**450**	364	**450**	364

The trade accounts are expected to be settled within the normal credit period. Unsecured advances are repayable on demand.

13. AMOUNTS OWING BY/TO RELATED COMPANIES

This represents amounts owing by/to Permodalan Nasional Berhad ("PNB") and the government related entities disclosed in Note 40(a) ("PNB Group"). PNB was I & P Group's previous shareholder and immediate holding company.

The amounts owing by/to related companies are repayable/payable on demand.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Prepaid rental (Note a)	**76,954**	90,146	**-**	-
Current				
Refundable deposits and part purchase considerations for the acquisition of development land in				
- 308-326 Exhibition Street, Melbourne, Australia	**-**	371,451	**-**	-
- Bangi, Selangor	**-**	44,761	**-**	-
- Kota Kinabalu, Sabah	**-**	70,054	**-**	-
- Osaka, Japan	**2,916**	-	**-**	-
Dividend receivable	**-**	-	**927**	927
Deposits	**74,487**	66,799	**142**	142
Value Added Tax/Goods and Services Tax receivables	**32,984**	21,599	**19**	-
Prepaid rental (Note a)	**13,192**	13,192	**-**	-
Prepayments	**6,116**	6,310	**10**	20
Other sundry receivables	**202,092**	161,924	**770**	733
	331,787	756,090	**1,868**	1,822
Allowance for doubtful debts	**(3,935)**	(3,935)	**-**	-
	327,852	752,155	**1,868**	1,822
Total	**404,806**	842,301	**1,868**	1,822

Note a

This represents the prepayment of lease rental in respect of an office tower which was sold and subsequently leased back from Datuk Bandar Kuala Lumpur for a period of 8 years.

The refundable deposits and part purchase considerations were paid for the acquisition of development lands that have yet to be completed as at end of the respective financial year. The balance of these purchase considerations is disclosed as other commitments in Note 41(b) below.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The movements in the allowance for impairment losses of other receivables during the financial year are as follows:

	Group	
	2018 RM'000	2017 RM'000
At beginning of the year	**3,935**	5,852
Allowance for impairment loss during the year	**-**	380
Reversal of allowance for impairment loss during the year	**-**	(2,295)
Written off during the year	**-**	(2)
At end of the year	**3,935**	3,935

The currency exposure profile of other receivables, deposits and prepayments after allowance for impairment losses is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian Ringgit	**374,308**	465,324	**1,868**	1,822
Australian Dollar	**3,084**	375,430	**-**	-
Singapore Dollar	**20,912**	323	**-**	-
Vietnamese Dong	**3,575**	1,215	**-**	-
Japanese Yen	**2,916**	-	**-**	-
Hong Kong Dollar	**3**	3	**-**	-
United States Dollar	**8**	6	**-**	-
	404,806	842,301	**1,868**	1,822

15. DEFERRED TAX

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Deferred tax assets	**240,052**	185,275	**1,038**	388
Deferred tax liabilities	**(470,829)**	(247,121)	**-**	-
	(230,777)	(61,846)	**1,038**	388
At beginning of the year	**(61,846)**	(71,735)	**388**	524
Credited/(charged) to profit or loss	**28,139**	9,683	**650**	(136)
Acquisition of new subsidiary company	**(197,685)**	-	**-**	-
Exchange rate differences	**615**	206	**-**	-
At end of the year	**(230,777)**	(61,846)	**1,038**	388

The Group has recognised the deferred tax assets as it is probable that its existing construction contracts and development projects would generate sufficient taxable profits in future against which the deferred tax assets can be utilised.

The temporary differences on which deferred tax assets/liabilities have been recognised are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Tax effects of:				
- unabsorbed capital allowances	**4,928**	4,062	**-**	-
- unutilised tax losses	**47,163**	30,328	**-**	-
- property development and construction profits	**(219,969)**	(56,963)	**-**	-
- excess of capital allowances claimed over accumulated depreciation on property, plant and equipment	**(30,225)**	(16,040)	**-**	-
- fair value changes on investment properties	**(58,753)**	(38,540)	**(89)**	(45)
- others	**26,079**	15,307	**1,127**	433
	(230,777)	(61,846)	**1,038**	388

15. DEFERRED TAX (CONT'D)

Unutilised tax losses, unabsorbed capital allowances and other temporary differences exist as at 31 December of which deferred tax assets have not been recognised in the financial statements are as follows:

	Group	
	2018 RM'000	2017 RM'000 Restated
Unutilised tax losses	**228,100**	147,249
Unabsorbed capital allowances	**6,264**	1,912
Others - deductible temporary differences	**516,643**	498,899
	751,007	648,060

Deferred tax assets for certain subsidiary companies have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiary companies would be available against which the deductible temporary differences could be utilised.

The unutilised capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial changes in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. On the other hand, effective from year of assessment 2019 as announced in the Annual Budget 2019, the unused tax losses of the Group as at 31 December 2018 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed losses will be disregarded.

16. TRADE RECEIVABLES

	Group	
	2018 RM'000	2017 RM'000
Gross progress billings receivable	**676,063**	763,095
Gross retention sums receivable	**165,747**	204,493
Other gross receivables	**460**	19,238
Total gross receivables	**842,270**	986,826
Allowance for doubtful debts	**(1,339)**	(843)
	840,931	985,983

The progress billings are due within 14 to 90 days (2017: 14 to 90 days) as stipulated in construction contracts and sale and purchase agreements. The retention sums are due upon the expiry of the defect liability period stated in the respective construction contracts or sale and purchase agreements.

Other gross receivables are collectible within 14 to 90 days (2017: 14 to 90 days).

16. TRADE RECEIVABLES (CONT'D)

Ageing analysis of the Group's trade receivables are as follows:

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	**578,931**	791,492
1 to 30 days past due but not impaired	**76,380**	97,258
31 to 60 days past due but not impaired	**68,176**	30,898
61 to 90 days past due but not impaired	**30,940**	14,470
91 to 120 days past due but not impaired	**35,312**	8,846
More than 121 days past due but not impaired	**51,192**	43,019
	840,931	985,983
Individually impaired	**1,339**	843
	842,270	986,826

Receivables that are neither past due nor impaired

The receivables that are neither past due nor impaired are creditworthy debtors with good payment track records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The receivables that are past due but not impaired are mainly related to the progress billings to be settled by the purchasers or the purchasers' end-financiers. However, the directors are of the opinion that these debts should be realised in full without material losses in the ordinary course of business as the legal title to the properties sold remained with the Group until the purchase consideration is fully settled/paid.

Receivables that are impaired

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The movements in the allowance for impairment losses of trade receivables during the financial year are as follows:

	Group	
	2018 RM'000	2017 RM'000
At beginning of the year	**843**	1,538
Allowance for impairment loss during the year	**521**	40
Reversal of allowance for impairment losses during the year	**(25)**	(47)
Liquidation of subsidiary company	**-**	(688)
At end of the year	**1,339**	843

16. TRADE RECEIVABLES (CONT'D)

The currency exposure profile of trade receivables after allowance for impairment losses is as follows:

	Group	
	2018 RM'000	2017 RM'000
Malaysian Ringgit	**836,824**	982,381
Singapore Dollar	**4,107**	3,602
	840,931	985,983

17. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2018 RM'000	2017 RM'000 Restated
Contract assets		
Property development *(see Note a)*	**1,056,445**	866,545
Construction and others contracts *(see Note b)*	**8,707**	2,936
	1,065,152	869,481
Contract liabilities		
Property development *(see Note a)*	**(26,305)**	(9,861)
Construction and others contracts *(see Note b)*	**(1,766)**	(2,608)
	(28,071)	(12,469)
	1,037,081	857,012

(a) Contract assets and contract liabilities from property development

	Group	
	2018 RM'000	2017 RM'000 Restated
Contract assets	**1,056,445**	866,545
Contract liabilities	**(26,305)**	(9,861)
	1,030,140	856,684
At beginning of the year	**856,684**	1,012,387
Consideration payable to customers	**140,198**	201,336
Revenue recognised during the year	**3,318,939**	3,881,292
Interest income relating to deferred payment scheme	**13,566**	3,854
Progress billings during the year	**(3,299,247)**	(4,242,185)
At end of the year	**1,030,140**	856,684

17. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(a) Contract assets and contract liabilities from property development (cont'd)

Revenue from property development activities are recognised over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 is RM4,166,816,000. The remaining performance obligations are expected to be recognised as follows:

	Group
	2018 RM'000
Within 1 year	1,484,213
Between 1 and 4 years	2,682,603
	4,166,816

(b) Contract assets and contract liabilities from construction and others

	Group	
	2018 RM'000	2017 RM'000 Restated
Contract assets	8,707	2,936
Contract liabilities	(1,766)	(2,608)
	6,941	328
At beginning of the year	328	(1,882)
Revenue recognised during the year	109,531	245,713
Progress billings during the year	(102,918)	(243,503)
At end of the year	6,941	328

Contract expenditure includes the following expenses incurred during the financial year:

	Group	
	2018 RM'000	2017 RM'000 Restated
Depreciation	4,387	3,359
Hire of machinery	19,347	19,631
Rental expense	312	940

The construction revenue is recognised progressively based on the actual cost incurred to date on the construction projects as compared to the total budgeted cost for the respective projects.

17. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(b) Contract assets and contract liabilities from construction and others (cont'd)

The transaction price allocated to the unsatisfied performance obligations for construction and other contracts as at 31 December 2018 is RM4,083,000. The remaining performance obligations are expected to be recognised as follows:

	Group
	2018 RM'000
Within 1 year	4,083
Between 1 and 4 years	-
	4,083

In adopting MFRS 15 retrospectively, the Group has applied certain expedients including not restating contracts that have been completed at the beginning of the earliest period presented in these financial statements which is 1 January 2017, and not disclosing the transaction price allocated to remaining unsatisfied performance obligation prior to the date of initial application on 1 January 2018.

18. SHORT-TERM FUNDS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value through profit or loss:				
- investments in trust funds in Malaysia	1,082,940	1,377,749	174,139	820,848

Investments in short-term funds in Malaysia represent investments in trust funds investing in highly liquid money market instrument and deposits with financial institutions in Malaysia and are redeemable with one (1) day notice without penalty or redemption charges. These short-term funds are subject to an insignificant risk of changes in value.

All the short-term funds are denominated in Malaysia Ringgit.

As at reporting date, the effective interest rates for the Group's and the Company's short-term funds range from 3.32% to 3.83% and 3.32% to 3.66% per annum (2017: 3.13% to 3.63% and 3.13% to 3.63% per annum) respectively.

19. SHORT-TERM DEPOSITS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term deposits with licensed banks	**402,552**	322,310	**64,000**	87,000

Included in short-term deposits of the Group is an amount of RM5,700,000 (2017: RM5,000,000) which have been charged to banks as security for banking facilities.

As at reporting date, the effective interest rates for the Group's and the Company's short-term deposits range from 1.61% to 3.20% and is 3.20% per annum (2017: 0.60% to 3.80% and 2.98% to 3.03% per annum) respectively. All short-term deposits have maturity periods of less than a year.

The currency exposure profile of short-term deposits is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian Ringgit	**92,313**	216,137	**64,000**	87,000
Australian Dollar	**310,239**	105,562	**-**	-
United States Dollar	**-**	611	**-**	-
	402,552	322,310	**64,000**	87,000

20. CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances include monies in:				
- Housing Development Accounts	**772,679**	807,605	**-**	-
- Sinking Fund Accounts	**9,664**	4,670	**-**	-
- Debt Service Reserve Accounts	**36,268**	21,549	**16,038**	8,274
- Escrow Accounts	**5,521**	38,412	**-**	-
- Revenue Accounts	**1,931**	919	**-**	-
- Rights and Excess Accounts	**-**	2,443,660	**-**	2,443,660

Withdrawals from the Housing Development Accounts are restricted in accordance with the Housing Developers (Housing Development Account) Regulations 1991.

Funds maintained in the Housing Development Accounts earn interest ranging from 1.50% to 2.25% (2017: 1.65% to 2.15%) per annum.

20. CASH AND BANK BALANCES (CONT'D)

The sinking fund, debt service reserve, escrow and revenue accounts were opened in accordance with the terms and conditions set out in the term loan agreements referred to in Note 28 below.

Included in cash and bank balances for the Group and the Company as at the previous financial year end was an amount of RM2,443,659,708 received pursuant to the issuance of renounceable rights issue of shares and Class B Islamic redeemable cumulative preference shares ("RCPS-i B") as disclosed in Note 22 and Note 23 respectively and was then held in trust by the share registrar. In the current financial year, RM310,411,793, being the excess amount received pursuant to the renounceable rights issue of shares and the RCPS-i B, were refunded to the unsuccessful applicants, whilst an amount of RM2,000,000,000 was used to part settle the consideration for the acquisition of I & P Group Sdn Berhad which was completed in the previous financial year.

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian Ringgit	**1,168,730**	3,554,171	**31,930**	2,472,216
Singapore Dollar	**191,429**	287,874	**-**	-
Australian Dollar	**17,220**	22,947	**26**	-
Great British Pound	**12,837**	6,234	**7,061**	6,234
Vietnamese Dong	**3,469**	4,459	**-**	-
United States Dollar	**4,366**	3,556	**4**	-
Japanese Yen	**9**	-	**1**	-
	1,398,060	3,879,241	**39,022**	2,478,450

21. DISCONTINUED OPERATIONS AND ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Group	
	2018 RM'000	2017 RM'000
Assets of disposal group classified as held for sale Property, plant and equipment (Note b)	**-**	1,058

Note a

On 5 October 2016, Perusahaan Minyak Sawit Bintang Sendirian Berhad ("PMSB") and Yong Peng Realty Sdn. Bhd. ("YPR"), two wholly-owned subsidiaries of the Group, had entered into a Sale and Purchase Agreement ("SPA") to dispose off all of their property, plant and equipment for a cash consideration of RM29,088,000 and RM77,600,000 respectively. The decision was consistent with I & P Group's strategy to focus on its core property development activities and to divest its plantation business.

As at the previous financial year end, both companies were presented separately on the statement of comprehensive income as results from discontinued operations, net of tax. This disposal was completed in the previous financial year.

21. DISCONTINUED OPERATIONS AND ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The results of the discontinued operations in PMSB and YPR, net of intercompany transactions, were as follows:

	2017 RM'000 Restated
Revenue	51,431
Cost of sales	(50,213)
Gross profit	1,218
Other income	1,490
Administrative and general expenses	(516)
Results from discontinued operations	2,192
Taxation:	
- Current tax	(295)
Results from discontinued operations, net of tax	1,897
Gain on sale of discontinued operations	87,688
Profit from discontinued operations, net of tax	89,585

The cash flows of the discontinued operations in PMSB and YPR, net of intercompany transactions, were as follows:

	2017 RM'000
Net cash flow used in operating activities	(11,838)
Net cash flow generated from investing activities	107,528
Net cash flow used in financing activities	(112,500)
Net cash outflow from discontinued operations	(16,810)

The effect of disposal to the Group was as shown below:

	2017 RM'000
Property, plant and equipment	19,000
Gain on disposal of discontinued operations	87,688
Net cash inflow	106,688

Note b
In the previous financial year, a wholly-owned subsidiary of the Group, Wawasan Indera Sdn Bhd ("WISB") had entered into a SPA to dispose off Wisma Puchong, a building located in Pusat Bandar Puchong. The transaction was completed in the current financial year.

22. SHARE CAPITAL

	Group/Company			
	2018		2017	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid share capital:				
At beginning of the year	**3,427,783**	**6,693,971**	2,853,520	2,140,140
Transition to no par value regime	**-**	**-**	-	2,945,561
Share issuance expenses	**-**	**(11,963)**	-	(16,720)
Issuance of shares:				
- DRP	**179,201**	**483,914**	159,209	517,875
- vesting of ESGP	**10,728**	**33,336**	7,427	23,191
- exercise of ESOS	**1,018**	**3,411**	2,370	8,296
- rights issue	**-**	**-**	403,260	1,068,640
- new placement	**325,000**	**997,750**	-	-
Conversion from RCPS-i A *(see Note 23)*	**9,461**	**31,979**	1,997	6,988
Conversion from RCPS-i B *(see Note 23)*	**5,372**	**19,855**	-	-
At end of the year	**3,958,563**	**8,252,253**	3,427,783	6,693,971

Note i
Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium became part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the financial year, the issued and paid-up ordinary share capital of the Company was increased by way of:

(a) issuance of 1,018,158 new ordinary shares pursuant to the exercise of options under the Employees' Share Options Scheme ("ESOS") at the following option prices:

		ESOS 1	ESOS 4	ESOS 5
Exercise price	(RM)	2.96	2.62	2.76
No. of shares issued	('000)	308	72	638

(b) issuance of 325,000,000 new ordinary shares ("Placement Shares") at an issue price of RM3.07 per share;

(c) conversion from 31,978,873 RCPS-i A to 9,461,190 ordinary shares with the conversion ratio of fifty (50) new S P Setia Berhad shares for one hundred sixty nine (169) RCPS-i A held;

22. SHARE CAPITAL (CONT'D)

During the financial year, the issued and paid-up ordinary share capital of the Company was increased by way of: (cont'd)

(d) conversion from 22,562,243 RCPS-i B to 5,371,952 ordinary shares with the conversion ratio of five (5) new S P Setia Berhad shares for twenty one (21) RCPS-i B held;

(e) issuance of 134,578,221 new ordinary shares pursuant to the 9th Dividend Reinvestment Plan ("9th DRP") at the price of RM2.80 per share;

(f) allotment of 10,728,040 new ordinary shares pursuant to the vesting of Employee Share Grant Plan ("ESGP"); and

(g) issuance of 44,622,898 new ordinary shares pursuant to the 10th DRP at the price of RM2.40 per share.

The Long Term Incentive Plan ("LTIP" or "Scheme") was implemented on 10 April 2013. The LTIP, which comprises the ESGP and ESOS allows the Company to grant shares and/or share options under the ESGP and ESOS respectively to eligible employees and Executive Directors of the Group of up to 15% of the issued and paid-up share capital of the Company. The LTIP is governed by the By-Laws of the LTIP which was approved by the shareholders on 28 February 2013 and is administered by the Nomination and Remuneration Committee ("NRC") which is appointed by the Board, in accordance with the By-Laws.

On 23 February 2017, the Board of Directors approved the extension of the LTIP for another 5 years pursuant to By-Laws 18.2 of the By-Laws of LTIP and as such the LTIP shall be in force for a period of 10 years up to 9 April 2023.

The main features of the Scheme are as follows:

(a) The maximum number of new ordinary shares which may be made available under the Scheme at the point in time when an LTIP award is offered shall not be more than fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company.

(b) The LTIP awards shall be awarded after taking into consideration the employee's position, contribution and performance (where applicable) or such criteria as the NRC may deem fit subject to the following:

(i) that the number of new ordinary shares made available under the Scheme shall not exceed the amount stipulated in (a) above; and

(ii) that not more than ten percent (10%) of the total new ordinary shares to be issued under the Scheme at the point in time when an LTIP award is offered be allocated to any employee or Executive Director who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.

(c) In the case of the ESGP, the shares will be vested with the grantee at no consideration on the vesting date; while in the case of the ESOS, the option price will be determined based on the five (5) days volume weighted average market price of the ordinary shares on the date the ESOS award is offered with a potential discount of not more than ten percent (10%) or any such other limit in accordance with any prevailing guideline issued by Bursa Malaysia Securities Berhad or any other relevant authorities as may be amended from time to time.

(d) The shares and share options granted under the ESGP and ESOS will vest over a period of up to four (4) years from the date of the LTIP award.

22. SHARE CAPITAL (CONT'D)

The movement during the financial year in the number of shares and share options in which employees of the Group and the Company are entitled to are as follows:

ESGP

	At 1.1.2018 '000	Granted '000	Vested '000	Lapsed '000	At 31.12.2018 '000
Offer 4	2,609	-	(2,468)	(141)	-
Offer 5	3,509	-	(3,246)	(263)	-
Offer 6	15,010	-	(4,798)	(752)	9,460
Offer 7	-	688	(216)	(45)	427
Offer 8	-	16,281	-	(200)	16,081
	21,128	16,969	(10,728)	(1,401)	25,968

ESOS

	At 1.1.2018 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2018 '000
Offer 1	24,140	-	(308)	-	23,832
Offer 3	1,358	-	-	-	1,358
Offer 4	14,446	-	(72)	-	14,374
Offer 5	9,472	-	(638)	-	8,834
Offer 6	141,518	-	-	(3,588)	137,930
Offer 7	-	18,665	-	-	18,665
	190,934	18,665	(1,018)	(3,588)	204,993

22. SHARE CAPITAL (CONT'D)

The fair values of the shares and share options granted under the ESGP and ESOS to which MFRS 2 applies were determined using the binomial model. The significant inputs into the model were as follows:

	ESGP								ESOS						
	Offer 1	Offer 2	Offer 3	Offer 4	Offer 5	Offer 6	Offer 7	Offer 8	Offer 1	Offer 2	Offer 3	Offer 4	Offer 5	Offer 6	Offer 7
Exercise price	*	*	*	*	*	*	*	*	RM2.96^	RM2.92^	RM2.91^	RM2.62^	RM2.76^	RM3.03^	RM2.82
Date of grant	6 May 2013	19 August 2013	31 October 2014	20 August 2015	17 August 2016	7 August 2017	2 January 2018	9 August 2018	6 May 2013	19 August 2013	31 October 2014	20 August 2015	17 August 2016	7 August 2017	9 August 2018
Fair value at grant date	RM3.15	RM3.14	RM3.13	RM3.01	RM3.27	RM3.05	RM3.21	RM2.85	RM0.51	RM0.52	RM0.53	RM0.57	RM0.55	RM0.51	RM0.87
Vesting period/ Option life	2 years	2 years	2 years	2 years	1 year 5 months	2 years	2 years	2 years	8 years 3 months	8 years 3 months	7 years 3 months	6 years 3 months	5 years 4 months	4 years 10 months	3 years 3 months
Weighted average share price at grant date	RM3.42	RM3.37	RM3.35	RM3.02	RM3.17	RM3.30	RM3.40	RM2.96	RM3.42	RM3.37	RM3.35	RM3.02	RM3.17	RM3.30	RM2.96
Expected dividend yield	4.1%	4.2%	3.3%	3.0%	5.3%	6.0%	5.8%	5.1%	4.1%	4.2%	3.3%	3.0%	5.3%	6.0%	5.1%
Risk-free interest rates	3.21%	3.67%	3.71%	4.01%	3.4%	3.4%	3.4%	3.7%	3.21%	3.67%	3.71%	4.01%	3.4%	3.4%	3.7%
Expected volatility	18.62%	18.82%	18.51%	21.34%	22.88%	24.26%	53.21%	40.33%	18.62%	18.82%	18.51%	21.34%	22.88%	24.26%	40.33%

* *The shares under the ESGP will vest with the grantee at no consideration on the vesting date*

^ *Pursuant to the LTIP By-Laws of the Company, the ESOS exercise price options were adjusted for the rights issue of up to 451,916,434 ordinary shares in S P Setia and rights issue of up to 1,355,749,304 RCPS-i B in S P Setia Berhad which were allotted on 29 December 2017 and listed on 4 January 2018 ("Rights Issue Adjustment")*

The expected life of the shares and share options are based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the shares and/or share options granted were incorporated into the measurement of fair value.

23. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-I A") ("RCPS-I B")

	Group/Company			
	2018		2017	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid RCPS-i A:				
At beginning of the year	**1,120,637**	**1,119,342**	1,127,625	11,276
Transition to no par value regime	**-**	**-**	-	1,115,581
Share issuance expenses	**-**	**-**	-	(527)
Issuance of shares	**-**	**-**	-	-
Conversion to ordinary shares *(see Note 22)*	**(31,979)**	**(31,979)**	(6,988)	(6,988)
At end of the year	**1,088,658**	**1,087,363**	1,120,637	1,119,342
Issued and fully paid RCPS-i B:				
At beginning of the year	**1,209,781**	**1,064,608**	-	-
Issuance of shares	**-**	**-**	1,209,781	1,064,608
Conversion to ordinary shares *(see Note 22)*	**(22,563)**	**(19,855)**	-	-
At end of the year	**1,187,218**	**1,044,753**	1,209,781	1,064,608

Note i

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium became part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of preference shares in issue or the relative entitlement of any of the members as a result of this transition.

RCPS-i A

The RCPS-i A issued by the Company to the shareholders are convertible at any time at the discretion of the holder commencing 2 December 2016 ("Issue Date A") up to such date no later than nine (9) market days prior to the relevant redemption date into such number of fully paid new S P Setia shares without payment of any consideration (cash or otherwise) and with the conversion ratio of two (2) new S P Setia shares for seven (7) RCPS-i A held.

The Company may at any time on or after the 15th anniversary of the Issue Date A, at its discretion, redeem all (and not some only of) the outstanding RCPS-i A in cash at the redemption price which shall be the aggregate of the issue price of RM1.00, any preferential dividends declared but unpaid as at the redemption date and any Deferred Dividends A (as defined below) as at the redemption date.

Under the Constitution, the conversion ratio for RCPS-i A is subject to adjustments from time to time, at the determination of our Board, in the event of any alteration to our Company's share capital, whether by way of rights issue, capitalisation issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Constitution. Pursuant to the rights issue of S P Setia shares undertaken by the Company, the conversion ratio for RCPS-i A has been adjusted to fifty (50) new S P Setia shares for one hundred sixty nine (169) RCPS-i A held. The effective date for the adjusted conversion ratio was 4 December 2017.

23. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-I A") ("RCPS-I B") (CONT'D)

The RCPS-i A confers on holders, the following rights and privileges:

(i) The right to receive preferential dividends, out of distributable profits of the Company earned from the first day of the calendar month following the Issue Date A ("Profits for RCPS-i A") when declared and approved by the Board of the Company, at an expected preferential dividend rate of 6.49%.

From the period commencing on and including the 15th anniversary of the Issue Date A until the redemption date, an additional stepped-up preferential dividend rate of 1.0% per annum above the expected rate abovementioned, shall be payable on the RCPS-i A on an annual basis, provided that the aggregate of the expected preferential dividend rate (including the stepped-up preferential dividends, if applicable) ("Expected Preferential Dividend Rate A") shall not exceed a total rate of 20%. The maximum amount of preferential dividends that can be declared and paid on each preferential dividend entitlement date ("Expected Preferential Dividend Amount A") shall be capped at such Expected Preferential Dividend Rate A unless otherwise decided by the Board of the Company.

On any preferential dividend entitlement date for RCPS-i A:

i. In the event that the Profits for RCPS-i A are lower than the Expected Preferential Dividend Amount A and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount A (in whole or in part):

(a) The Company may, at its discretion, declare and pay any amount of preferential dividends up to an amount equal to the Profits for RCPS-i A as at such preferential dividend entitlement date. The amount of Profits for RCPS-i A declared as preferential dividends by the Company on a particular preferential dividend entitlement date, if any shall be referred to as ("Declared Sum A"); and

(b) The amount equivalent to the difference between the Profits for RCPS-i A as at such preferential dividend entitlement date and Declared Sum A, shall be cumulative ("Deferred Dividends A-1"), so long as the RCPS-i A remains unredeemed.

ii. In the event that the Profits for RCPS-i A are more than the Expected Preferential Dividend Amount A and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount A (in whole or in part), the amount equivalent to the difference between the Expected Preferential Dividend Amount A and the Declared Sum A, shall be cumulative ("Deferred Dividends A-2"), so long as the RCPS-i A remains unredeemed.

Deferred Dividends A-1 and A-2 (as the case may be) ("Deferred Dividends A") may be declared and/or paid, at the discretion of the Company, on any subsequent preferential dividend entitlement date for RCPS-i A, provided that the Cumulative Condition A (as defined below) is fulfilled on such preferential dividend entitlement date.

"Cumulative Condition A" of the RCPS-i A means on any preferential dividend entitlement date, the Company:

a) has sufficient Profits for RCPS-i A that is at least equivalent to the aggregate of the Declared Sum A and any Deferred Dividends A accumulated as at and on such preferential dividend entitlement date;

b) has maintained books and records that evidence the Company having Profits for RCPS-i A that is at least equivalent to the aggregate of the Declared Sum A and any Deferred Dividends A accumulated as at and on such preferential dividend entitlement date; and

c) makes an announcement on the Main Market of Bursa Malaysia Securities Berhad that such amount of Deferred Dividends A on such preferential dividend entitlement date shall be cumulative.

23. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-I A") ("RCPS-I B") (CONT'D)

The RCPS-i A confers on holders, the following rights and privileges: (cont'd)

Where there is no Profit for RCPS-i A available for the declaration and payment of dividends, the Company shall have no obligation to declare or distribute any preferential dividends on the relevant preferential dividend entitlement date for RCPS-i A. Such preferential dividends shall not be cumulative.

Each RCPS-i A holder will cease to receive any preferential dividends from and including the date the RCPS-i A is converted into new S P Setia shares save for preferential dividends declared but unpaid up to the date of conversion.

(ii) The rights as regards to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of the Company, save and except in the respect of any resolution made:

i. when the preferential dividends for RCPS-i A or any part thereof is in arrears and unpaid for more than six (6) months;

ii. on a proposal to reduce the Company's share capital;

iii. on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking;

iv. on a proposal to wind up the Company;

v. during the winding up of the Company; or

vi. on any proposal that affects the rights and privileges attached to the RCPS-i A, including the amendments to the Constitution of the Company.

In any of the aforesaid circumstances, each RCPS-i A holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings to one (1) vote for each RCPS-i A held.

RCPS-i B

The RCPS-i B issued by the Company to the shareholders are convertible at any time at the discretion of the holder commencing 29 December 2017 ("Issue Date B") up to such date no later than nine (9) market days prior to the relevant redemption date into such number of fully paid new S P Setia shares without payment of any consideration (cash or otherwise) and with the conversion ratio of five (5) new S P Setia shares for twenty one (21) RCPS-i B held.

The Company may at any time on or after the 5th anniversary of the Issue Date B, at its discretion, redeem all (and not some only of) the outstanding RCPS-i B in cash at the redemption price which shall be the aggregate of the issue price of RM0.88, any preferential dividends declared but unpaid as at the redemption date and any Deferred Dividends B (as defined below) as at the redemption date.

23. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES (“RCPS-I A”) (“RCPS-I B”) (CONT’D)

The RCPS-i B confers on holders, the following rights and privileges:

(i) The right to receive preferential dividends, out of distributable profits of the Company earned from the first day of the calendar month following the Issue Date B (“Profits for RCPS-i B”) when declared and approved by the Board of the Company, at an expected preferential dividend rate of 5.93%.

From the period commencing on and including the 5th anniversary of the Issue Date B until the redemption date, an additional stepped-up preferential dividend rate of 1.0% per annum above the expected rate abovementioned, shall be payable on the RCPS-i B on an annual basis, provided that the aggregate of the expected preferential dividend rate (including the stepped-up preferential dividends, if applicable) (“Expected Preferential Dividend Rate B”) shall not exceed a total rate of 20%. The maximum amount of preferential dividends that can be declared and paid on each preferential dividend entitlement date (“Expected Preferential Dividend Amount B”) shall be capped at such Expected Preferential Dividend Rate B unless otherwise decided by the Board of the Company.

On any preferential dividend entitlement date for RCPS-i B:

i. In the event that the Profits for RCPS-i B are lower than the Expected Preferential Dividend Amount B and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount B (in whole or in part):

(a) The Company may, at its discretion, declare and pay any amount of preferential dividends up to an amount equal to the Profits for RCPS-i B as at such preferential dividend entitlement date. The amount of Profits for RCPS-i B declared as preferential dividends by the Company on a particular preferential dividend entitlement date, if any shall be referred to as (“Declared Sum B”); and

(b) The amount equivalent to the difference between the Profits for RCPS-i B as at such preferential dividend entitlement date and Declared Sum B, shall be cumulative (“Deferred Dividends B-1”), so long as the RCPS-i B remains unredeemed.

ii. In the event that the Profits for RCPS-i B are more than the Expected Preferential Dividend Amount B and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount B (in whole or in part), the amount equivalent to the difference between the Expected Preferential Dividend Amount B and the Declared Sum B, shall be cumulative (“Deferred Dividends B-2”), so long as the RCPS-i B remains unredeemed.

Deferred Dividends B-1 and B-2 (as the case may be) (“Deferred Dividends B”) may be declared and/or paid, at the discretion of the Company, on any subsequent preferential dividend entitlement date for RCPS-i B, provided that the Cumulative Condition B (as defined below) is fulfilled on such preferential dividend entitlement date.

“Cumulative Condition B” of the RCPS-i B means on any preferential dividend entitlement date, the Company:

(a) has sufficient Profits for RCPS-i B that is at least equivalent to the aggregate of the Declared Sum B and any Deferred Dividends B accumulated as at and on such preferential dividend entitlement date;

(b) has maintained books and records that evidence the Company having Profits for RCPS-i B that is at least equivalent to the aggregate of the Declared Sum B and any Deferred Dividends B accumulated as at and on such preferential dividend entitlement date; and

(c) makes an announcement on the Main Market of Bursa Malaysia Securities Berhad that such amount of Deferred Dividends B on such preferential dividend entitlement date shall be cumulative.

23. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES (“RCPS-I A”) (“RCPS-I B”) (CONT’D)

The RCPS-i B confers on holders, the following rights and privileges: (cont’d)

Where there is no Profit for RCPS-i B available for the declaration and payment of dividends, the Company shall have no obligation to declare or distribute any preferential dividends on the relevant preferential dividend entitlement date for RCPS-i B. Such preferential dividends shall not be cumulative.

Each RCPS-i B holder will cease to receive any preferential dividends from and including the date the RCPS-i B is converted into new S P Setia Shares save for preferential dividends declared but unpaid up to the date of conversion.

(ii) The rights as regards to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders’ resolutions in writing, but shall not be entitled to vote or approve any shareholders’ resolutions or vote at any general meeting of the Company, save and except in the respect of any resolution made:

i. when the preferential dividends for RCPS-i B or any part thereof is in arrears and unpaid for more than six (6) months;

ii. on a proposal to reduce the Company’s share capital;

iii. on a proposal for the disposal of substantially the whole of the Company’s property, business and undertaking;

iv. on a proposal to wind up the Company;

v. during the winding up of the Company; or

vi. on any proposal that affects the rights and privileges attached to the RCPS-i B, including the amendments to the Constitution of the Company.

In any of the aforesaid circumstances, each RCPS-i B holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings to one (1) vote for each RCPS-i B held.

24. RESERVE ON ACQUISITION ARISING FROM COMMON CONTROL

	Group	
	2018 RM'000	2017 RM'000
Reserve arising on acquisition accounted for under common control	**1,295,884**	1,295,884

This represents the difference between the consideration payable on the acquisition of I & P Group in the previous financial year in excess of the equity of I & P Group arising as a result of the application of the pooling of interests method of accounting whereby assets, liabilities and reserves of the entities are recorded at their pre-combination carrying amounts or existing carrying amounts from the perspective of common control shareholder.

25. PERPETUAL BOND

On 13 December 2013, the Company issued a total of RM609 million in nominal value of unrated subordinated Islamic Perpetual Notes ("Sukuk Musharakah") via private placement on a best effort basis without prospectus pursuant to a Sukuk Musharakah Programme ("Perpetual bond") of up to RM700 million in nominal value. The Perpetual bond is established to raise funds as and when required to be utilised for Shariah-compliant purposes which include the Company's investments and working capital.

The salient features of the Perpetual bond were as follows:

(i) the Perpetual bond is issued under the Islamic principle of Musharakah, while the principle of Commodity Musawamah will be employed to effect the deferral of the periodic distributions, if any;

(ii) perpetual in tenure, where the Company has a call option to redeem the Perpetual bond at the end of the 5th year and on each periodic distribution date thereafter;

(iii) the Company also has the option to redeem the Perpetual bond if there is a change in accounting standards resulting in the Perpetual bond no longer being classified as equity;

(iv) the expected periodic distribution up to year 5 is 5.95% per annum payable semi-annually. If the Company does not exercise its option to redeem at the end of the 5th year, the periodic distribution increases by 1% per annum subject to a maximum rate of 20%;

(v) deferred periodic distribution, if any, will be cumulative but will not earn additional profits (i.e. there will be no compounding);

(vi) payment obligations on the Perpetual bond will at all times, rank ahead of other share capital instruments for the time being outstanding, but junior to the claims of present and future creditor of the Company (other than obligations ranking pari passu with the Perpetual bond); and

(vii) the Perpetual bond is not rated and is unsecured.

The Perpetual bond was fully redeemed in the current financial year.

26. REDEEMABLE CUMULATIVE PREFERENCE SHARES (UNSECURED)

The redeemable cumulative preference shares ("RCPS") issued by subsidiaries of the Company ("the Subsidiaries") are redeemable at any time at the discretion of the Subsidiaries after 5th anniversary but before the 8th to 15th anniversary of the respective issue dates, provided always that the redemption sum to be determined shall not be less than RM1.00 and any amount of dividend payable on the redemption date (including the aggregate amount of any arrears or accruals of dividend, whether or not declared, at the time of redemption).

The preference shares confer on their holders the following rights and privileges:

(i) The right to be paid, a cumulative preferential dividend of 4% per annum on the issue price, or at 500% per annum gross based on its nominal value;

(ii) The right in a winding up or return of capital (other than on the redemption of the preference shares) to receive, in priority to the holders of any other class of shares in the capital of the Subsidiaries, repayment in full of RM1.00 and the payment of any cumulative preferential dividend calculated up to the date of commencement of the winding up or return of capital, but no further right to share in surplus assets; and

(iii) The right to receive notice of and attend all general meetings of the Subsidiaries, and shall have the right on a poll at any general meeting of the Subsidiaries to one vote for each preference share held:

(a) upon any resolution which varies or is deemed to vary the rights attached to the preference shares;

(b) upon any resolution for the reduction of capital of the Subsidiaries; and

(c) upon any resolution for the winding up of the Subsidiaries,

but shall otherwise have no right to vote at general meetings of the Subsidiaries.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Unpaid consideration for acquisition of development land	**35,534**	40,000	**-**	-
Current				
Unsecured advances	**144,208**	17,535	**-**	-
Interest accrued	**27,942**	11,817	**19,148**	7,319
Deposits received	**36,109**	27,178	**-**	-
Deferred revenue	**95,915**	12,356	**-**	-
Unpaid consideration for acquisition of development land	**6,600**	6,600	**-**	-
Accrued selling and marketing costs	**112,822**	101,504	**-**	-
Other sundry payables and accruals	**549,765**	572,714	**5,661**	329,672
	973,361	749,704	**24,809**	336,991
Total	**1,008,895**	789,704	**24,809**	336,991

The unsecured advances are from minority shareholders of a subsidiary company. These advances are interest free and payable on demand.

Included under other payables for the Group and the Company as at the previous financial year end, was an amount of RM310,411,793 which was related to the excess amount received pursuant to the issuance of renounceable rights issue and RCPS-i B in that year. This amount was refunded to the unsuccessful applicants in the current financial year.

The currency exposure profile of other payables and accruals is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian Ringgit	**970,210**	759,713	**21,602**	333,583
Vietnamese Dong	**27,146**	16,478	**-**	-
Australian Dollar	**4,153**	7,321	**-**	-
Great British Pound	**3,207**	3,408	**3,207**	3,408
Singapore Dollar	**4,023**	2,737	**-**	-
United States Dollar	**149**	43	**-**	-
Hong Kong Dollar	**4**	4	**-**	-
Japanese Yen	**3**	-	**-**	-
	1,008,895	789,704	**24,809**	336,991

28. BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Secured:				
Term loans	**3,714,039**	2,750,444	**-**	-
Bridging loans	**51,241**	108,801	**-**	-
Revolving credits	**248,485**	217,000	**-**	-
Medium term note and commercial paper *(Note b)*	**434,000**	494,000	**-**	-
Hire purchase and finance lease *(Note a)*	**2,449**	-	**-**	-
Unsecured:				
Term loans	**3,446,916**	1,293,847	**2,818,289**	1,293,847
Revolving credits	**50,000**	50,000	**50,000**	50,000
	7,947,130	4,914,092	**2,868,289**	1,343,847
Current				
Secured:				
Term loans	**385,887**	367,287	**-**	-
Bridging loans	**98,405**	43,438	**-**	-
Revolving credits	**611,131**	478,049	**-**	-
Medium term note and commercial paper *(Note b)*	**60,000**	98,000	**-**	-
Hire purchase and finance lease *(Note a)*	**767**	-	**-**	-
Bank overdrafts	**1,858**	3,449	**-**	-
Unsecured:				
Term loans	**454,000**	206,000	**454,000**	206,000
Revolving credits	**885,210**	749,710	**859,210**	748,710
Bank overdrafts	**20,477**	17,895	**6,817**	17,895
	2,517,735	1,963,828	**1,320,027**	972,605
Total borrowings	**10,464,865**	6,877,920	**4,188,316**	2,316,452
The borrowings are repayable as follows:				
Not later than one year	**2,517,735**	1,913,828	**1,320,027**	972,605
Later than one year but not later than five years	**7,084,779**	3,721,888	**2,643,289**	909,300
Later than five years	**862,351**	1,242,204	**225,000**	434,547
	10,464,865	6,877,920	**4,188,316**	2,316,452

S P Setia Berhad Group
Notes to the Financial Statements
For The Financial Year Ended 31 December 2018

28. BORROWINGS (CONT'D)

	Group	
	2018 RM'000	2017 RM'000
Note a		
The minimum lease payment are as follows:		
Not later than one year	**904**	-
Later than one year but not later than five years	**2,888**	-
Total minimum lease payment	**3,792**	-
Amount representing finance charges	**(576)**	-
Present value of minimum lease payment	**3,216**	-
The present value of payments are as follows:		
Not later than one year	**767**	-
Later than one year but not later than five years	**2,449**	-
Present value of minimum lease payment	**3,216**	-

The range of interest rates per annum at the reporting date for borrowings are as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Term loans	**2.38 - 5.44**	1.80 - 5.10	**2.90 - 5.39**	2.80 - 4.96
Bridging loans	**4.48 - 5.23**	4.22 - 5.15	**-**	-
Revolving credits	**4.28 - 5.44**	4.20 - 5.08	**4.53 - 5.17**	4.29 - 5.08
Medium term note and commercial paper	**4.44 - 5.16**	4.19 - 4.88	**-**	-
Hire purchase and finance lease	**4.26 - 4.50**	-	**-**	-
Bank overdrafts	**4.70 - 7.72**	4.14 - 7.47	**4.70 - 4.97**	4.46 - 4.70

The borrowings are secured by:

- various fixed and floating charges and deeds of assignment over various assets belonging to the Group, including properties as indicated in Notes 2, 3 and 4 above; and
- short-term deposit, sinking fund, debt service reserve, escrow and revenue accounts as indicated in Notes 19 and 20 above.

28. BORROWINGS (CONT'D)

Note b

Medium Term Notes ("MTN") and Commercial Paper ("CP")

In prior years, Setia Ecohill Sdn Bhd ("Setia Ecohill"), a wholly-owned subsidiary of the Group, had issued Medium Term Notes (MTN) and Commercial Paper (CP) with a total nominal value of RM580 million (the "Programmes"). The Programmes comprise the following tranches, collectively known as CP/MTN Programme:

(i) Tranche 1 : MTN Issuance - Up to RM305 million to part finance the purchase of freehold land with tenure of up to 7 years from the date of the first issuance;

(ii) Tranche 2 : CP Issuance - Up to RM200 million to finance the working capital requirement with tenure of up to 7 years from the date of the first issuance; and

(iii) Tranche 3 : CP Issuance - Up to RM75 million to part finance the infrastructure costs, earth works and development costs in relation to clubhouse and school with a tenure of up to 7 years from the date of first issuance.

The interest payment is due every month with an interest rate of between 4.20% to 4.59% (2017: 4.19% to 4.88%) per annum, commencing from the issue date of the relevant tranches.

The MTN/CP is secured by a first party fixed charge over the freehold land of Setia Ecohill held under inventories as disclosed in Note 4 and a corporate guarantee from the Company.

As at 31 December 2018, the remaining nominal value of Tranche 2 CP and Tranche 3 CP are RM50 million (2017: RM125 million) and RM10 million (2017: RM33 million) respectively.

In the previous financial year, a wholly-owned subsidiary of the Group, Setia Fontaines Sdn Bhd ("Setia Fontaines") issued Islamic MTN ("Sukuk Murabahah") amounting to RM434 million pursuant to a Sukuk Murabahah Programme of up to RM434 million in nominal value ("Sukuk Murabahah Programme") to finance the purchase of freehold land. The Sukuk Murabahah Programme has a tenure of up to 10 years from the date of the first issuance.

The interest payment is due every month with the profit rate of 1.0% per annum plus the bank's cost of funds commencing from the issuance date of the Sukuk Murabahah.

The Sukuk Murabahah Programme of Setia Fontaines is secured by a first legal charge created over a parcel of Setia Fontaines' freehold land under inventories as disclosed in Note 4 and a corporate guarantee from the Company.

As at 31 December 2018, the remaining nominal amount of the Sukuk Murabahah is RM434 million.

28. BORROWINGS (CONT'D)

The currency exposure profile of borrowings is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian Ringgit	**8,365,513**	5,576,063	**3,508,027**	1,608,605
Great British Pound	**1,308,916**	707,847	**680,289**	707,847
Singapore Dollar	**585,652**	587,003	**-**	-
United States Dollar	**12,756**	7,007	**-**	-
Australian Dollar	**192,028**	-	**-**	-
	10,464,865	6,877,920	**4,188,316**	2,316,452

29. TRADE PAYABLES

	Group		
	2018 RM'000	2017 RM'000 Restated	2016 RM'000 Restated
Sub-contractors' claims	**194,641**	276,636	313,385
Retention sums	**378,835**	376,149	443,880
Accrued construction costs	**1,079,513**	1,251,040	1,219,532
Others	**94,313**	25,530	24,370
	1,747,302	1,929,355	2,001,167

The normal credit terms extended by sub-contractors and suppliers range from 15 to 90 days (2017: 15 to 90 days). The retention sums are repayable upon the expiry of the defect liability period.

Other trade payables are required to be settled within 14 to 60 days (2017: 14 to 60 days).

The currency exposure profile of trade payables is as follows:

	Group	
	2018 RM'000	2017 RM'000
Malaysian Ringgit	**1,714,547**	1,883,784
Singapore Dollar	**31,002**	43,614
Vietnamese Dong	**1,753**	1,957
	1,747,302	1,929,355

30. AMOUNTS OWING TO PREVIOUS SHAREHOLDERS OF I & P GROUP

The amounts owing to previous shareholders of I & P Group as at 31 December 2017 of RM3,540,500,000 is stated net of real property gain tax paid on behalf of the previous shareholders in respect of the disposal of the I & P Group to the Company.

This liability has crystallised upon completion of the acquisition of I & P Group on 1 December 2017, and has been fully settled in the current financial year.

31. REVENUE

	Group	
	2018 RM'000	2017 RM'000 Restated
Sale of development properties	**3,318,939**	3,881,292
Contract revenue	**88,515**	206,589
Sale of other goods and services	**186,135**	199,896
	3,593,589	4,287,777

32. COST OF SALES

	Group	
	2018 RM'000	2017 RM'000 Restated
Cost of properties sold	**2,246,703**	2,522,033
Contract cost recognised as expense	**86,244**	201,868
Cost of other goods and services sold	**168,388**	171,162
	2,501,335	2,895,063

33. OTHER INCOME

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Gross dividends from:				
- subsidiary companies	-	-	**612,506**	754,418
Interest income from:				
- subsidiary companies	-	-	**211,171**	136,401
- joint ventures	**5,026**	14,734	**6,044**	7,609
- deposits	**68,715**	75,638	**37,160**	39,354
- significant financing component	**13,566**	3,854	-	-
- financial assets measured at amortised cost	-	-	**3,721**	4,104
- others	**36,962**	44,886	**498**	1,031
Rental income from:				
- investment properties	**21,841**	25,906	-	-
- other operating leases	**17,718**	12,581	-	-
Allowance for impairment loss on receivables no longer required	**25**	2,342	-	1,874
Gain on disposal of investment properties	**4,982**	-	-	-
Gain on disposal of property, plant and equipment	-	20,715	-	-
Gain on disposal of asset held for sales	**6,942**	-	-	-
Finance income on financial liabilities at amortised cost	**1,221**	-	-	-
Fair value gain on investment properties	**15,007**	22,703	-	-
Forfeiture income	**6,944**	4,518	-	-
Gain on disposal of subsidiary company	-	-	-	999
Gain on disposal of other investments	**138**	12	-	-
Gain on foreign exchange				
- realised	**1,599**	-	**2,986**	-
- unrealised	**58,857**	1,943	**26,875**	6,161
Gain on remeasurement of retained equity interest in former joint venture	**311,594**	-	-	-
Gain on deemed disposal of previously held investment in joint venture	**36,942**	-	-	-
Other miscellaneous income	**19,129**	23,143	**9,176**	8,465
	627,208	252,975	**910,137**	960,416

34. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest on:				
- bank overdrafts	**838**	1,057	**360**	615
- revolving credits	**63,482**	44,976	**58,539**	27,258
- term loans	**134,058**	79,310	**117,951**	56,107
Preference share dividend	**2,322**	2,322	-	-
Interest expense to subsidiary companies	-	-	**290**	2,271
Interest expense on financial liabilities measured at amortised cost	**2,484**	2,328	-	-
Others	**4,000**	7,367	**2,843**	4,278
	207,184	137,360	**179,983**	90,529

35. PROFIT BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Profit before tax is stated after charging:				
Fees for statutory audits				
- current year				
- Ernst & Young, Malaysia	**1,869**	1,711	**140**	127
- member firms of Ernst & Young Global	**379**	227	-	-
- other auditors	**7**	7	-	-
Fees for statutory audit - underprovision	**124**	-	-	-
Other non-audit services				
- Ernst & Young, Malaysia	**265**	696	**33**	427
Amortisation of intangible asset	**704**	528	-	-
Bad debts	-	2,478	-	-
Allowance for impairment loss on receivables	**521**	420	-	-
Depreciation				
- property, plant and equipment	**23,827**	22,087	-	-

35. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Direct operating expenses on				
- income generating investment properties	**9,340**	5,953	**-**	-
- non-income generating investment properties	**8**	8	**8**	8
Directors' remuneration				
Company's Directors				
- fees and other emoluments	**8,597**	6,485	**2,889**	2,108
- share-based payment under LTIP	**5,347**	3,778	**-**	-
Other key management personnel				
- other emoluments	**14,731**	13,558	**-**	-
- share-based payment under LTIP	**22,095**	14,866	**-**	-
Property, plant and equipment written off	**252**	511	**-**	-
Loss from fair value adjustment of financial assets/liabilities	**-**	184	**2,850**	1,680
Loss on disposal of property, plant and equipment	**467**	-	**1**	-
Loss on liquidation of subsidiary companies	**-**	2,309	**-**	-
Rental expense on:				
- equipment	**28,462**	28,578	**112**	121
- premises	**15,294**	5,125	**-**	-
Loss on foreign exchange				
- realised	**-**	2,174	**-**	654

Directors' and other key management personnel's remuneration do not include the estimated monetary value of benefits-in-kind as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Company's Directors	**33**	33	**7**	7
Other key management personnel	**583**	1,296	**-**	-

36. TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Income tax:				
In respect of current year:				
- Malaysian income tax	**215,662**	268,877	**34,485**	18,520
- foreign income tax	**285**	61,619	**-**	-
Under/(over) provision in prior years				
- Malaysian income tax	**4,770**	18,147	**1,651**	1,132
- foreign income tax	**(325)**	(40,057)	**-**	-
	220,392	308,586	**36,136**	19,652
Deferred tax:				
- Origination and reversal of temporary differences	**9,642**	(19,076)	**(650)**	136
- (Over)/under provision in prior years	**(37,781)**	9,393	**-**	-
	(28,139)	(9,683)	**(650)**	136
	192,253	298,903	**35,486**	19,788

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

On 10 April 2017, the Income Tax (Exemption) (No.2) Order 2017 ("Order") was gazetted to provide a special income tax exemption to a qualifying person and the exemption is granted based on the incremental amount of chargeable income from preceding year and is applicable for years of assessment 2017 and 2018. The exemption given is computed based on the percentage of increased chargeable income and according to the formula prescribed in the Order range from 1% to 4%.

36. TAXATION (CONT'D)

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rate on the profit before tax as a result of the following differences:

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Accounting profit (excluding share of results in joint ventures and associated companies)	**1,006,749**	1,027,982	**688,146**	846,018
Taxation at 24% tax rate	**241,620**	246,715	**165,155**	203,044
Tax effects arising from:				
Non-deductible expenses	**72,779**	79,004	**32,669**	15,342
Perpetual bond distribution	**(8,268)**	(8,697)	**(8,268)**	(8,697)
Non-taxable income				
- interest income	**(13,196)**	(13,826)	**(8,765)**	(9,973)
- single tier dividend income	**-**	-	**(147,001)**	(181,060)
- others	**(119,830)**	(5,570)	**-**	-
Deferred tax assets not recognised	**25,218**	20,710	**-**	-
Utilisation of tax losses brought forward from previous years	**(511)**	(6,003)	**-**	-
Effect on different tax rate used	**848**	(3,051)	**-**	-
Deferred tax on fair value of investment properties at real property gain tax rate	**26,929**	2,138	**45**	-
Under/(over) provision in prior years				
- income tax	**4,445**	(21,910)	**1,651**	1,132
- deferred tax	**(37,781)**	9,393	**-**	-
	192,253	298,903	**35,486**	19,788
Tax savings during the financial year arising from:				
Utilisation of current tax losses	**660**	1,973	**-**	-
Utilisation of tax losses brought forward from previous years	**511**	6,003	**-**	-

The Company is on the single tier income tax system; accordingly the entire retained earnings of the Company is available for distribution by way of dividend without incurring additional tax liability.

37. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share has been calculated by taking the Group's profit for the year attributable to owners of the Company adjusted for the effects of RCPS-i A & RCPS-i B preferential dividends paid for the year, divided by the weighted average number of shares in issue as well as full year impact of rights issue of shares. The weighted average number of ordinary shares in issue is calculated as follows:-

	Group	
	2018 '000	2017 '000 Restated
Profit for the financial year attributable to owners of the Company		
- from continuing operations (RM)	**670,959**	904,118
- less: RCPS-i A preferential dividends (RM)	**(72,430)**	(42,737)
- less: RCPS-i B preferential dividends (RM)	**(31,495)**	-
	567,034	861,381
- from discontinued operations (RM)	**-**	89,585
Adjusted profit for the year attributable to equity holders of the Company (RM)	**567,034**	950,966
Number of ordinary shares at beginning of the year	**3,427,783**	2,853,520
Weighted average effect of shares issued pursuant to:		
- DRP	**98,905**	63,245
- vesting of ESGP	**5,085**	3,641
- exercise of ESOS	**743**	1,240
- rights issue	**-**	403,260
- new placement	**289,384**	-
- conversion of RCPS-i A into ordinary shares	**2,453**	202
- conversion of RCPS-i B into ordinary shares	**1,471**	-
Weighted average number of ordinary shares	**3,825,824**	3,325,108
Basic Earnings Per Share (sen)		
- from continuing operations	**14.82**	25.91
- from discontinued operations	**-**	2.69
	14.82	28.60

37. EARNINGS PER SHARE (CONT'D)

Diluted earnings per share

The diluted earnings per share has been calculated by taking the Group's profit for the year attributable to owners of the Company adjusted for the effects of RCPS-i A and RCPS-i B preferential dividends paid for the year, divided by the weighted average number of ordinary shares that would have been in issue upon full exercise of the options under the LTIP, adjusted for the number of such shares that would have been issued at fair value, conversion of RCPS-i A at the conversion ratio of 50 ordinary shares for 169 RCPS-i A from its date of issuance, as well as the full conversion of RCPS-i B at the conversion ratio of 5 ordinary shares for 21 RCPS-i B, calculated as follows:

	Group	
	2018 '000	2017 '000 Restated
Profit for the financial year attributable to owners of the Company		
- from continuing operations (RM)	**670,959**	904,118
- less: RCPS-i A preferential dividends (RM)	**(72,430)**	(42,737)
- less: RCPS-i B preferential dividends (RM)	**(31,495)**	-
	567,034	861,381
- from discontinued operations (RM)	**-**	89,585
Adjusted profit for the year attributable to equity holders of the Company (RM)	**567,034**	950,966
Weighted average number of ordinary shares calculated above	**3,825,824**	3,325,108
Weighted average number of unissued shares under the LTIP	**29,467**	51,000
Weighted average number of unissued shares under RCPS-i A	**322,088**	331,549
Weighted average number of unissued shares under RCPS-i B	**282,671**	288,043
Adjusted weighted average number of ordinary shares that would have been in issue	**4,460,050**	3,995,700
Diluted Earnings Per Share (sen)		
- from continuing operations	**12.71**	21.56
- from discontinued operations	**-**	2.24
	12.71	23.80

38. DIVIDENDS

	2018 RM'000	2017 RM'000
ORDINARY SHARES DIVIDENDS		
In respect of the financial year ended 31 December 2016		
Single-tier final dividend of 16 sen per share:		
- Reinvested into 123,421,658 new ordinary shares at an issue price of RM3.30 per ordinary share pursuant to the DRP	-	407,291
- Payment in cash	-	49,542
In respect of the financial year ended 31 December 2017		
Single-tier interim dividend of 4 sen per share:		
- Reinvested into 35,787,575 new ordinary shares at an issue price of RM3.09 per ordinary share pursuant to the DRP	-	110,584
- Payment in cash	-	8,869
Dividend paid by I & P Group to its previous shareholders	-	30,000
Single-tier final dividend of 11.5 sen per share:		
- Reinvested into 134,578,221 new ordinary shares at an issue price of RM2.80 per ordinary share pursuant to the DRP	**376,819**	-
- Payment in cash	**55,037**	-
In respect of the financial year ended 31 December 2018		
Single-tier interim dividend of 4 sen per share:		
- Reinvested into 44,622,898 new ordinary shares at an issue price of RM2.40 per ordinary share pursuant to the DRP	**107,095**	-
- Payment in cash	**48,976**	-
	587,927	606,286

Subsequent to 31 December 2018, the Directors declared a single tier dividend of 4.55 sen per ordinary share amounting to RM180,114,639 in respect of the financial year ended 31 December 2018.

38. DIVIDENDS (CONT'D)

	2018 RM'000	2017 RM'000
RCPS-i A Preferential Dividends		
In respect of the financial period ended 30 June 2017 and additional one-off preferential dividend for the period from 2 December 2016 to 31 December 2016		
- Preferential dividend of 6.49% per annum, payment in cash	-	42,737
In respect of the financial period from 1 July 2017 to 31 December 2017		
- Preferential dividend of 6.49% per annum, payment in cash	36,215	-
In respect of the financial period from 1 January 2018 to 30 June 2018		
- Preferential dividend of 6.49% per annum, payment in cash	36,215	-
RCPS-i B Preferential Dividends		
In respect of the financial period from 1 January 2018 to 30 June 2018		
- Preferential dividend of 5.93% per annum, payment in cash	31,495	-
	103,925	42,737

Subsequent to 31 December 2018, the Directors declared a preferential dividend of 6.49% per annum amounting to RM35,326,949 in respect of the RCPS-i A and 5.93% per annum amounting to RM30,976,923 in respect of RCPS-i B for financial period from 1 July 2018 to 31 December 2018.

39. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Expensed off during the year	371,232	280,859	12,414	10,269
Capitalised during the year	55,487	56,428	-	-
	426,719	337,287	12,414	10,269

The employee benefit expenses which include the remuneration of Directors and key management personnel are as follow:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries, bonus and other emoluments	282,103	221,812	10,249	8,615
Defined contribution plan	31,233	30,946	690	664
Share-based payment under the LTIP	80,422	53,592	838	615

40. RELATED PARTY DISCLOSURES

In addition to related party disclosures elsewhere in the financial statements, set out below are the other related party disclosures. The following significant related party transactions took place at terms agreed between the parties during the financial year:

(a) Significant related party transactions during the financial year are as follows:

	Transaction value			
	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Transactions with subsidiary companies				
Interest received and receivable	-	-	211,171	136,401
Interest paid and payable	-	-	290	2,271
Event service fee paid and payable	-	-	35	46
Dividend received and receivable	-	-	612,506	754,418
Staff secondment fee received and receivable	-	-	8,830	8,221
Group management fee paid and payable	-	-	13,876	-
Transactions with related companies				
Rental paid and payable	939	1,540	-	-
Interest paid and payable	-	1,827	-	-
Transactions with associated companies				
Dividend received and receivable	3,680	3,680	-	-
Transactions with joint ventures				
Management fee received and receivable	2,876	7,378	-	-
Management fee paid and payable	-	240	-	-
Construction services rendered	48,954	266,631	-	-
Interest received and receivable	10,081	18,924	6,044	7,609
Rental received and receivable	279	657	-	-
Rental paid and payable	158	30	-	-
Staff secondment fee received and receivable	476	460	144	122
Event service fee received and receivable	44	10	-	-
Group marketing fee received and receivable	151	283	-	-
Purchase of property	-	12,285	-	-

40. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions during the financial year are as follows: (cont'd)

	Transaction value				Balance outstanding			
	Group		Company		Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Transactions with Directors of the Company and close family members of the Directors								
Sale of properties to:								
- Tan Sri Dato' Dr Wan Mohd Zahid Bin Mohd Noordin	**-**	500	**-**	-	**-**	26	**-**	-
- Dato' Khor Chap Jen and close family members	**-**	4,013	**-**	-	**(4)**	13	**-**	-
- Dato' Ahmad Pardas Bin Senin and close family members	**-**	570	**-**	-	**528**	(10)	**-**	-
- Dato' Halipah Binti Esa and close family members	**-**	-	**-**	-	**(30)**	(30)	**-**	-
- Dato' Azmi bin Mohd Ali	**-**	3,568	**-**	-	**(10)**	(10)	**-**	-
- Philip Tan Puay Koon	**-**	3,441	**-**	-	**-**	-	**-**	-
Transactions with Directors of subsidiary companies and close family members of the Directors								
Sale of properties to:								
- Datuk Wong Tuck Wai	**-**	3,492	**-**	-	**-**	-	**-**	-
- Datuk Choy Kah Yew	**577**	2,339	**-**	-	**-**	48	**-**	-
- Datuk Koe Peng Kang	**-**	-	**-**	-	**-**	3,878	**-**	-
- Datuk Choong Kai Wai	**-**	6,899	**-**	-	**-**	-	**-**	-
- Datuk Yuslina Binti Mohd Yunus	**-**	577	**-**	-	**(2)**	(4)	**-**	-
- Datuk Zaini Bin Yusoff	**1,683**	3,475	**-**	-	**110**	163	**-**	-
- Paul Soh Hee Pin	**-**	636	**-**	-	**-**	51	**-**	-
- Neo Keng Hoe	**-**	1,542	**-**	-	**-**	-	**-**	-
- Jamalullail Bin Abu Bakar	**-**	1,128	**-**	-	**-**	-	**-**	-
- Zulfakar Bin Abdullah	**-**	500	**-**	-	**-**	-	**-**	-
- Tan Mui Hiang	**-**	-	**-**	-	**(10)**	(10)	**-**	-
Clubhouse service charges charged to:								
- Close family members of Datuk Koe Peng Kang	**-**	14	**-**	-	**-**	-	**-**	-

40. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions during the financial year are as follows: (cont'd)

Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and Amanahraya Trustees Berhad – Amanah Saham Bumiputera ("ATR-ASB"), both government-linked entities, are the substantial shareholders of the Company, with direct shareholding of 25.69% and 24.15% respectively (2017: 24.74% and 22.85%). PNB, ATR-ASB and entities directly controlled by PNB are collectively referred to as government-related entities to the Group and the Company.

The transactions entered into with these government-linked corporations have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Key management personnel remuneration

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors				
Fees, salaries, bonuses and other emoluments	**7,985**	5,996	**2,889**	2,108
Estimated monetary value of benefits-in-kind	**33**	33	**7**	7
Share-based payment under the LTIP	**5,347**	3,778	**-**	-
Total short-term employee benefits	**13,365**	9,807	**2,896**	2,115
Post-employment benefits				
- EPF and social security cost	**612**	489	**-**	-
	13,977	10,296	**2,896**	2,115
Other key management personnel				
Salaries, allowances and bonuses	**13,212**	12,125	**-**	-
Estimated monetary value of benefits-in-kind	**583**	1,296	**-**	-
Share-based payment under the LTIP	**22,095**	14,866	**-**	-
Total short-term employee benefits	**35,890**	28,287	**-**	-
Post-employment benefits				
- EPF and social security cost	**1,519**	1,433	**-**	-
	37,409	29,720	**-**	-
Total compensation	**51,386**	40,016	**2,896**	2,115

<u>Shares and share options granted to Directors and other key management personnel</u>

1,640,000 ESGP and 6,857,600 ESOS were granted to the Company's Executive Directors and other key management personnel during the financial year (2017: 1,540,000 ESGP and 71,901,526 ESOS).

41. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group leases premises from various parties under operating leases. These leases are non-cancellable and are with remaining lease period ranging of 1 year to 5 years (2017: 1 to 2 years), with the option to renew upon expiry. None of the leases includes contingent rentals. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2018 RM'000	2017 RM'000
Not later than one year	**934**	1,097
Later than one year but not later than five years	**2,471**	869
	3,405	1,966

The Group as lessor

The Group leases out its investment properties to third parties under non-cancellable operating leases. These leases are with remaining lease period of 1 to 28 years (2017: 1 to 29 years) with the option to renew upon expiry. Certain of the leases include contingent rental arrangements computed based on sales achieved by tenants.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2018 RM'000	2017 RM'000
Not later than one year	**38,042**	25,343
Later than one year but not later than five years	**81,643**	56,386
Later than five years	**305,469**	317,513
	425,154	399,242

41. COMMITMENTS (CONT'D)

(b) Other commitments

	Group	
	2018 RM'000	2017 RM'000
Commitments for acquisition of development land		
- Contracted		
- Kota Kinabalu, Sabah	**-**	147,106
- Bangi, Selangor	**-**	402,821
- Osaka, Japan	**55,369**	-
Contractual commitment for construction of investment properties	**88,654**	112,305
Commitment to acquire property, plant and equipment - approved and contracted	**174,784**	220,227
	318,807	882,459

42. CONTINGENT LIABILITIES

(a) Corporate Guarantees

	Company	
	2018 RM'000	2017 RM'000
Guarantees given to banks to secure banking facilities granted to subsidiary companies	**5,868,422**	3,872,381
Guarantees given to banks for performance bonds granted to subsidiary companies	**92,902**	105,676
Guarantees given to the suppliers of goods for credit terms granted to subsidiary companies	**2,164**	147
	5,963,488	3,978,204

As at reporting date, no values are ascribed on these guarantees and letter of undertaking provided by the Group and the Company to secure banking facilities described above as the Directors regard the value of the credit enhancement provided by these guarantees as minimal and the probability of default, based on historical track records of the parties receiving the guarantees are remote.

42. CONTINGENT LIABILITIES (CONT'D)

(b) Others

Setia Fontaines Sdn Bhd ("Setia Fontaines") entered into a Sale and Purchase Agreement with CIMB Islamic Trustee Berhad (as Trustee) and Boustead Plantations Berhad ("Boustead") to purchase 5 adjoining parcels of freehold land located in Penang ("the Lands") on 22 February 2016. Boustead took the view that goods and services tax ("GST") is chargeable on the Lands.

However, Setia Fontaines took the view that the Lands acquired are exempted from GST pursuant to Item 1(1), First Schedule of the Goods and Services Tax (Exempt Supply) Order 2014 given that the Land are used for agricultural purposes.

Notwithstanding the objection from Setia Fontaines, Boustead remitted RM37,207,353 of GST to the Customs and demanded that Setia Fontaines reimburse the said amount pursuant to Clause 28 of the Sale and Purchase Agreement.

After several settlement attempts, the parties were not able to reach a common ground on this issue.

On 28 December 2018, Boustead and the Trustee as the plaintiffs filed a civil suit in KL High Court and on 3 January 2019, a copy of the sealed Writ of Summons and Statement of Claim was served on Setia Fontaines as the defendant seeking the repayment of RM37,207,353 with 8% interest.

First case management was held before the High Court of Kuala Lumpur on 28 January 2019 where the Registrar instructed the following:

(1) the Plaintiffs to file a reply by 21 February 2019;
(2) any interlocutory application to be filed by 21 February 2019; and
(3) parties to consider mediation.

Setia Fontaines filed its Defence and served the same on Boustead on 31 January 2019. Boustead filed its reply on 21 February 2019 before YA Dato' Ahmad Zaidi bin Ibrahim at NCvC whereby parties have updated court on filing of cause papers. The matter is now fixed for further case management on 19 March 2019.

Solicitors for Setia Fontaines are of the view that:

(a) given the Lands were used for agricultural purposes, i.e. the cultivation of oil palm plantations, at the time of the completion of the transfer of the Lands to the Defendant, the sale of the Lands should be an exempted supply and no GST would be payable by the Second Plaintiff; and

(b) in the factual matrix of the present case, the intended use of the Lands by the Defendant is irrelevant and immaterial for the determination of whether the sale of the Lands is an exempt supply for GST purposes.

Accordingly, the solicitors take the view that there are merits in Setia Fontaines/Defendant's case and Setia Fontaines/Defendant has a strong arguable case to defend its position in court.

Given that the suit was filed via writ of summons, full trial with witnesses is expected to take at least one (1) year before a decision is made, and that is assuming parties do not have any appeals and interlocutory applications in between. On this note, the Directors of the Group are of the opinion that no provision in respect of the GST liability in dispute is required to be made in the financial statements.

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 January RM'000	Cash flows RM'000	Foreign exchange movement RM'000	Others RM'000	At 31 December RM'000
2018					
Group					
Long term and short term borrowings excluding bank overdrafts	**6,856,576**	**2,961,188**	**(51,234)**	**676,000***	**10,442,530**
Unsecured advances	**17,535**	**126,673**	**-**	**-**	**144,208**
Redeemable cumulative preference shares	**54,667**	**(3,175)**	**-**	**17,800**	**69,292**
Total liabilities from financing activities	**6,928,778**	**3,084,686**	**(51,234)**	**693,800**	**10,656,030**

* *This represents the borrowings of a newly acquired subsidiary, which was previously a joint venture.*

	At 1 January RM'000	Cash flows RM'000	Foreign exchange movement RM'000	Others RM'000	At 31 December RM'000
Company					
Long term and short term borrowings excluding bank overdrafts, representing total liabilities from financing activities	**2,298,557**	**1,910,500**	**(27,558)**	**-**	**4,181,499**
2017					
Group					
Long term and short term borrowings excluding bank overdrafts	5,723,952	1,154,493	(21,869)	-	6,856,576
Unsecured advances	18,094	(1,610)	-	1,051	17,535
Redeemable cumulative preference shares	53,513	(1,272)	-	2,426	54,667
Total liabilities from financing activities	5,795,559	1,151,611	(21,869)	3,477	6,928,778
Company					
Long term and short term borrowings excluding bank overdrafts, representing total liabilities from financing activities	1,965,767	339,006	(6,216)	-	2,298,557

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks, including interest rate risk, credit risk, foreign currency exchange risk, liquidity and cash flow risks. The Group's and the Company's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Group and the Company.

Financial risk management is carried out through risk review, internal control systems and adherence to the Group's and the Company's financial risk management policies. The Board regularly reviews these risks and approves the policies covering the management of these risks. The Group and the Company do not trade in derivative instruments.

(a) Interest rate risk

The Group and the Company are exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

Surplus funds are placed in short-term funds and with licensed financial institutions to earn interest income based on prevailing market rates. The Group and the Company manage its interest rate risks by placing such funds on short tenures of 12 months or less.

The Group's and the Company's policy is to borrow principally on a floating rate basis. The Group and the Company do not generally hedge interest rate risks. The Group and the Company have a policy to ensure that interest rates obtained are competitive.

Sensitivity analysis for interest rate risk

The weighted average interest rate for bank borrowings of the Group and the Company are as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Weighted average interest rate	**4.58**	4.26	**4.65**	4.06

A sensitivity analysis has been performed based on the outstanding floating rate bank borrowings of the Group and the Company as at 31 December 2018. If interest rates were to increase or decrease by 50 basis points with all other variables held constant, the Group's and the Company's profit before tax would decrease or increase by RM22,465,000 and RM20,907,000 (2017: RM15,717,000 and RM11,493,000) respectively.

For those interest expense incurred and capitalised as part of the expenditure on investment property under construction, land held for property development and property development costs during the financial year, if the interest rates were to increase or decrease by 50 basis points with all other variables held constant, those assets of the Group would increase or decrease by RM21,287,000 (2017: RM18,566,000).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk

Credit risk arises from the possibility that a counter party may be unable to meet the terms of a contract in which the Group has a gain position.

The Group and the Company minimise and monitor its credit risk by dealing with creditworthy counter-parties and applying credit approval controls for material contracts. If necessary, the Group may obtain collaterals from counter-parties as a means of mitigating losses in the event of default.

In respect of trade receivables arising from the sale of development properties, the Group mitigates its credit risk by maintaining its name as the registered owner of the development properties until full settlement by the purchasers or the purchasers' end-financiers.

At the reporting date, the Group did not have any significant concentration of credit risk that may arise from exposure to a single debtor or to group of debtors.

The ageing analysis of receivables which are trade in nature is disclosed in Note 16. Short-term funds, short-term deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable banks and financial institutions with high credit ratings and no history of default.

(c) Foreign currency exchange risk

The Group is exposed to currency translation risk arising from its net investments in foreign operations, mainly United Kingdom, Australia, Singapore, China and Japan.

Sensitivity analysis for foreign currency risk

The closing rates used in translation are as follows:

	2018	2017
Great British Pound ("GBP")	**5.253**	5.466
Australian Dollar ("AUD")	**2.923**	3.166
Singapore Dollar ("SGD")	**3.032**	3.039
Chinese Yuan ("CNY")	**0.602**	0.623
Japanese Yen ("JPY")	**0.038**	N/A

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency exchange risk (cont'd)

The following table demonstrates the sensitivity of the Group's equity to a reasonably possible change in the exchange rates, with all other variables held constant.

		Group	
		2018 RM'000	2017 RM'000 Restated
GBP/RM	- strengthened by 10%	**249,003**	200,818
	- weakened by 10%	**(249,003)**	(200,818)
AUD/RM	- strengthened by 10%	**85,491**	91,613
	- weakened by 10%	**(85,491)**	(91,613)
SGD/RM	- strengthened by 10%	**38,156**	39,688
	- weakened by 10%	**(38,156)**	(39,688)
CNY/RM	- strengthened by 10%	**12,017**	11,987
	- weakened by 10%	**(12,017)**	(11,987)

The impact of sensitivity analysis of the rest of the foreign currencies is not material to the Group.

The Company's exposure to foreign currency exchange risk is in respect of its GBP denominated borrowing amounting to RM680,289,000 as at 31 December 2018 (2017: RM707,847,000). Should the GBP strengthen by 10% against the RM, the profit for the year will decrease by RM68,029,000 (2017: RM70,785,000) and vice versa.

(d) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks that the Group and the Company will not be able to meet its financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group and the Company seek to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that each business unit, through efficient working capital management (i.e. inventory, accounts receivable and accounts payable management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

Owing to the nature of its businesses, the Group and the Company always maintain sufficient credit lines available to meet their liquidity requirements while ensuring an effective working capital management within the Group and the Company.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity and cash flow risks (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2018				
Group				
Financial liabilities:				
Trade payables	1,747,302	-	-	1,747,302
Other payables and accruals	877,446	40,000	-	917,446
Amounts owing to related companies	1,343	-	-	1,343
Borrowings	2,950,026	7,941,165	968,806	11,859,997
Redeemable cumulative preference shares	3,006	61,084	18,468	82,558
Total undiscounted financial liabilities	5,579,123	8,042,249	987,274	14,608,646
Company				
Financial liabilities:				
Amounts owing to subsidiary companies	132,502	-	-	132,502
Other payables and accruals	24,809	-	-	24,809
Borrowings	1,492,726	2,935,935	232,320	4,660,981
Total undiscounted financial liabilities	1,650,037	2,935,935	232,320	4,818,292

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity and cash flow risks (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2017				
Restated				
Group				
Financial liabilities:				
Trade payables	1,929,355	-	-	1,929,355
Other payables and accruals	737,348	40,000	-	777,348
Amounts owing to previous shareholders of I & P Group	3,540,500	-	-	3,540,500
Amounts owing to related companies	455	-	-	455
Borrowings	2,243,536	4,219,751	1,369,316	7,832,603
Redeemable cumulative preference shares	4,188	57,000	-	61,188
Total undiscounted financial liabilities	8,455,382	4,316,751	1,369,316	14,141,449
Company				
Financial liabilities:				
Amounts owing to subsidiary companies	82,726	-	-	82,726
Other payables and accruals	336,991	-	-	336,991
Amounts owing to previous shareholders of I & P Group	3,540,500	-	-	3,540,500
Borrowings	1,065,353	1,011,535	437,589	2,514,477
Total undiscounted financial liabilities	5,025,570	1,011,535	437,589	6,474,694

45. FINANCIAL INSTRUMENT

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies in Note 1 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	At amortised cost RM'000	At fair value through profit or loss RM'000	Total RM'000
Group			
2018			
Financial assets:			
Other investments	-	96	96
Other receivables and deposits	308,544	-	308,544
Trade receivables	840,931	-	840,931
Amounts owing by joint ventures	167,717	-	167,717
Amounts owing by associated companies	450	-	450
Amounts owing by related companies	811	-	811
Short-term funds	-	1,082,940	1,082,940
Short-term deposits	402,552	-	402,552
Cash and bank balances	1,398,060	-	1,398,060
Total financial assets	3,119,065	1,083,036	4,202,101
Financial liabilities:			
Trade payables	1,747,302	-	1,747,302
Other payables and accruals	912,980	-	912,980
Amounts owing to related companies	1,343	-	1,343
Long term borrowings	7,947,130	-	7,947,130
Short term borrowings	2,517,735	-	2,517,735
Redeemable cumulative preference shares	69,292	-	69,292
Total financial liabilities	13,195,782	-	13,195,782

45. FINANCIAL INSTRUMENT (CONT'D)

	At amortised cost RM'000	At fair value through profit or loss RM'000	Total RM'000
Group			
2017			
Restated			
Financial assets:			
Other investments	-	133	133
Other receivables and deposits	732,653	-	732,653
Trade receivables	985,983	-	985,983
Amounts owing by joint ventures	585,202	-	585,202
Amounts owing by associated companies	364	-	364
Short-term funds	-	1,377,749	1,377,749
Short-term deposits	322,310	-	322,310
Cash and bank balances	3,879,241	-	3,879,241
Total financial assets	6,505,753	1,377,882	7,883,635
Financial liabilities:			
Trade payables	1,929,355	-	1,929,355
Other payables and accruals	777,348	-	777,348
Amounts owing to related companies	455	-	455
Amounts owing to previous shareholders of I & P Group	3,540,500	-	3,540,500
Long term borrowings	4,914,092	-	4,914,092
Short term borrowings	1,963,828	-	1,963,828
Redeemable cumulative preference shares	54,667	-	54,667
Total financial liabilities	13,180,245	-	13,180,245
Company			
2018			
Financial assets:			
Other receivables and deposits	**1,858**	**-**	**1,858**
Amounts owing by joint ventures	**58,404**	**-**	**58,404**
Amounts owing by associated companies	**450**	**-**	**450**
Amounts owing by subsidiary companies	**5,969,003**	**-**	**5,969,003**
Short-term funds	**-**	**174,139**	**174,139**
Short-term deposits	**64,000**	**-**	**64,000**
Cash and bank balances	**39,022**	**-**	**39,022**
Total financial assets	**6,132,737**	**174,139**	**6,306,876**

45. FINANCIAL INSTRUMENT (CONT'D)

	At amortised cost RM'000	At fair value through profit or loss RM'000	Total RM'000
Company			
2018			
Financial liabilities:			
Amounts owing to subsidiary companies	**132,502**	**-**	**132,502**
Other payables and accruals	**24,809**	**-**	**24,809**
Long term borrowings	**2,868,289**	**-**	**2,868,289**
Short term borrowings	**1,320,027**	**-**	**1,320,027**
Total financial liabilities	**4,345,627**	**-**	**4,345,627**
Company			
2017			
Financial assets:			
Other receivables and deposits	1,802	-	1,802
Amounts owing by joint ventures	347,905	-	347,905
Amounts owing by associated companies	364	-	364
Amounts owing by subsidiary companies	4,139,665	-	4,139,665
Short-term funds	-	820,848	820,848
Short-term deposits	87,000	-	87,000
Cash and bank balances	2,478,450	-	2,478,450
Total financial assets	7,055,186	820,848	7,876,034
Financial liabilities:			
Amounts owing to subsidiary companies	82,726	-	82,726
Other payables and accruals	336,991	-	336,991
Amount owing to previous shareholders of I & P Group	3,540,500	-	3,540,500
Long term borrowings	1,343,847	-	1,343,847
Short term borrowings	972,605	-	972,605
Total financial liabilities	6,276,669	-	6,276,669

46. FAIR VALUE MEASUREMENT

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Non-financial assets that are measured at fair value

(i) The table below analyses the Group's and the Company's non-financial assets measured at fair value at the reporting date, according to the levels in the fair value hierarchy:

Investment Properties

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2018				
Commercial properties	**-**	**61,948**	**1,997,458**	**2,059,406**
2017				
Commercial properties	-	67,908	1,875,181	1,943,089
Company				
2018				
Commercial properties	**-**	**-**	**3,243**	**3,243**
2017				
Commercial properties	-	-	3,243	3,243

46. FAIR VALUE MEASUREMENT (CONT'D)

(a) Non-financial assets that are measured at fair value (cont'd)

(ii) Description of valuation techniques used and key inputs to valuation on non-financial assets

The fair value of the investment properties was substantially arrived at via valuations performed by certified external valuers based on the following valuation techniques depending on the location and types of properties:

(a) Comparison method

The market comparison approach is a method whereby the property's fair value is estimated based on comparable transactions. This approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. Investment properties valued under the comparison method, with insignificant adjustments factors, are categorised as Level 2 in the fair value hierarchy. Certain other investment properties valued using the comparison method with significant adjustments made for differences such as location, size, condition, accessibility and design ("adjustment factors") are categorised as Level 3 in the fair value hierarchy.

(b) Investment method

The investment method entails determining the net annual income by deducting the annual ongoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of the investment to arrive at the market value of the subject property.

The investment properties valued using this method is categorised as Level 3 in the fair value hierarchy.

(c) Comparison/Depreciable Replacement Cost method

The comparison/cost method of valuation entails separate valuations of the land and buildings to arrive at the market value of the subject property. The land is valued by reference to transactions of similar lands in the surrounding areas with appropriate adjustments made for differences in the relevant characteristics of the land. Completed buildings are valued by reference to the current estimates on construction costs to erect equivalent buildings, taking into consideration of similar buildings in terms of size, construction, finishes, contractors' overheads, fees and profits. Appropriate adjustments are then made for the factors of obsolescence and existing physical condition of the building.

The investment properties valued using this method is categorised as Level 3 in the fair value hierarchy.

46. FAIR VALUE MEASUREMENT (CONT'D)

(a) Non-financial assets that are measured at fair value (cont'd)

(ii) Description of valuation techniques used and key inputs to valuation on non-financial assets (cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties are as below:

	Valuation techniques	Significant unobservable inputs	Range
Land	Comparison method	Adjustment factors to prices of comparable properties	-40% to 40%
Building	Investment method	Estimated rental value per square feet per month	RM2.50 to RM40.00
		Capitalisation/Discount rate	4.50% to 6.75%
		Void allowance	5.00% to 10.00%
Building	Depreciable replacement cost method	Construction cost per square feet	RM72.00 to RM285.00
		Depreciation rate	2% to 40%

(iii) Fair value reconciliation of non-financial assets measured at Level 3

Investment Properties

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
At beginning of the year	**1,875,181**	1,739,222	**3,243**	3,243
Additions	**142,944**	204,063	**-**	-
Disposals	**(14,000)**	(65,000)	**-**	-
Transfer to property, plant and equipment *(see Note 2)*	**(23,467)**	-	**-**	-
Gain/(loss) on changes in fair value	**16,800**	(3,104)	**-**	-
At end of the year	**1,997,458**	1,875,181	**3,243**	3,243

46. FAIR VALUE MEASUREMENT (CONT'D)

(b) Financial instruments that are measured or disclosed at fair value

The carrying amounts and fair values of the long term financial assets and liabilities of the Group and the Company at the reporting date are as follows:

	Group			Company	
	Carrying amount RM'000	Fair Value RM'000 Level 1	Fair Value RM'000 Level 2	Carrying amount RM'000	Fair Value RM'000 Level 2
2018					
Financial assets:					
Other investments	**96**	**96**	**-**	**-**	**-**
Amounts owing by subsidiary companies	**-**	**-**	**-**	**3,627,789**	**#**
Financial liabilities:					
Redeemable cumulative preference shares	**69,292**	**-**	**68,698**	**-**	**-**
Floating rate long term borrowings	**7,947,130**	**-**	*****	**2,868,289**	*****
2017					
Financial assets:					
Other investments	133	133	-	-	-
Amounts owing by subsidiary companies	-	-	-	2,641,349	#
Financial liabilities:					
Redeemable cumulative preference shares	54,667	-	50,618	-	-
Floating rate long term borrowings	4,914,092	-	*	1,343,847	*

* *The carrying amounts are reasonable approximation of fair values because they are floating rate instruments which are repriced to market interest rates at regular intervals.*
\# *The carrying amounts are reasonable approximation of fair value.*

The short-term funds of the Group and the Company are measured at fair value through profit or loss.

The carrying amounts of all other financial assets and liabilities of the Group and of the Company at the reporting date approximated or were at their fair values. The fair values of the financial assets and financial liabilities above are determined using discounted cash flow method. The most significant input being the discount rate that reflects the credit risk of the counterparties.

There were no transfers between Level 1, Level 2 and Level 3 during the financial year.

47. CAPITAL MANAGEMENT

The primary objectives of the Group's and the Company's capital management are to ensure that it maintains a strong capital base and healthy capital ratios in order to support its existing business operations and enable future development of the businesses as well as maximise shareholders' value.

The capital structure of the Group and the Company consists of equity attributable to the shareholders of the Company (i.e. share capital, RCPS-i A, RCPS-i B, reserves and retained earnings), Perpetual bond and total debts, which include borrowings.

Management reviews and manages the capital structure regularly and makes adjustments to address changes in the economic environment and risk characteristics inherent in its business operations. These initiatives may include equity capital raising exercises and adjustments to the amount of dividends distributed to shareholders. No changes were made in the objectives, policies and processes during the financial year ended 31 December 2018 and 31 December 2017.

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Debt:				
Long term borrowings	**7,947,130**	4,914,092	**2,868,289**	1,343,847
Redeemable cumulative preference shares	**69,292**	54,667	**-**	-
Short term borrowings	**2,517,735**	1,963,828	**1,320,027**	972,605
	10,534,157	6,932,587	**4,188,316**	2,316,452
Short-term funds and deposits, cash and bank balances:				
Short-term funds	**1,082,940**	1,377,749	**174,139**	820,848
Short-term deposits	**402,552**	322,310	**64,000**	87,000
Cash and bank balances	**1,398,060**	3,879,241	**39,022**	2,478,450
	2,883,552	5,579,300	**277,161**	3,386,298
Net (debt)/cash	**(7,650,605)**	(1,353,287)	**(3,911,155)**	1,069,846
Total Equity	**15,520,028**	14,703,327	**11,182,040**	10,313,483
Gross gearing ratio	**0.68**	0.47	**0.37**	0.22
Net gearing ratio	**0.49**	0.09	**0.35**	N/A

48. SEGMENTAL ANALYSIS

Primary reporting format - business segment

The operations of the Group are primarily organised into three main segments:

(i) Property development - Property development
(ii) Construction - Building construction
(iii) Others - Manufacturing, trading and investing

Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

The operations of the Group are primarily carried out in Malaysia. Group income taxes are presented on a group basis and are not allocated to operating segments.

(a) Segment results

2018	Property Development RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
External revenue	3,318,939	88,515	186,135	-	3,593,589
Inter-segment revenue	297,480	458,697	51,087	(807,264)	-
Total revenue	3,616,419	547,212	237,222	(807,264)	3,593,589
Gross profit	1,072,236	2,271	17,747	-	1,092,254
Other income	603,963	3,379	19,866	-	627,208
Operating expenses	(459,661)	(15,002)	(30,866)	-	(505,529)
Share of results of joint ventures	(45,126)	-	1,781	-	(43,345)
Share of results of associated companies	27,144	-	-	-	27,144
Finance costs	(179,043)	(105)	(28,036)	-	(207,184)
Profit before tax	1,019,513	(9,457)	(19,508)	-	990,548
Taxation					(192,253)
Profit for the year					798,295

48. SEGMENTAL ANALYSIS (CONT'D)

(a) Segment results (cont'd)

2017 Restated	Property Development RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
External revenue	3,881,292	206,589	199,896	-	4,287,777
Inter-segment revenue	282,564	494,942	35,641	(813,147)	-
Total revenue	4,163,856	701,531	235,537	(813,147)	4,287,777
Gross profit	1,359,259	4,721	28,734	-	1,392,714
Other income	233,266	3,715	15,994	-	252,975
Operating expenses	(430,985)	(16,829)	(32,533)	-	(480,347)
Share of results of joint ventures	277,439	-	6,241	-	283,680
Share of results of associated companies	26,246	-	-	-	26,246
Finance costs	(128,036)	(14)	(9,310)	-	(137,360)
Profit before tax	1,337,189	(8,407)	9,126	-	1,337,908
Taxation					(298,903)
Profit from continuing operations					1,039,005
Profit from discontinued operations					89,585
Profit for the year					1,128,590

48. SEGMENTAL ANALYSIS (CONT'D)

(b) Segment assets, liabilities and other information

	Property Development RM'000	Construction RM'000	Others RM'000	Consolidated RM'000
2018				
Segment assets	**24,022,896**	**31,765**	**1,632,644**	**25,687,305**
Investments in joint ventures	**2,623,594**	**-**	**113,302**	**2,736,896**
Investments in associated companies	**540,648**	**-**	**-**	**540,648**
Current and deferred tax assets				**372,043**
Consolidated total assets				**29,336,892**
Segment liabilities	**11,714,770**	**178,005**	**1,426,993**	**13,319,768**
Current and deferred tax liabilities				**497,096**
Consolidated total liabilities				**13,816,864**
Additions to non-current assets* (other than financial instruments and deferred tax assets)	**1,605,538**	**735**	**159,976**	**1,766,249**
Interest income	**116,234**	**2,635**	**5,400**	**124,269**
Depreciation and amortisation	**(18,829)**	**(71)**	**(5,631)**	**(24,531)**
Other material non-cash items	**347,615**	**(7,099)**	**1,462**	**341,978**
2017 Restated				
Segment assets	20,072,447	222,752	4,861,793	25,156,992
Investments in joint ventures	2,111,349	-	111,520	2,222,869
Investments in associated companies	521,449	-	-	521,449
Current and deferred tax assets				333,957
Consolidated total assets				28,235,267
Segment liabilities	8,427,467	150,751	4,626,852	13,205,070
Current and deferred tax liabilities				326,870
Consolidated total liabilities				13,531,940
Additions to non-current assets* (other than financial instruments and deferred tax assets)	2,845,844	9,195	216,585	3,071,624
Interest income	113,993	9,814	15,305	139,112
Depreciation and amortisation	(19,161)	(62)	(3,392)	(22,615)
Other material non-cash items	(16,117)	(5,166)	(7,663)	(28,946)

* *Non-current assets comprise property, plant and equipment, investment properties, intangible asset and inventory - land held for property development.*

48. SEGMENTAL ANALYSIS (CONT'D)

(c) Segment by geographical location

Revenue and non-current assets other than financial instruments and deferred tax assets, by location of the Group's operations are analysed as follows:

	Revenue		Non-current assets (other than financial instruments and deferred tax assets)	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Malaysia	**3,464,978**	3,929,437	**16,018,744**	12,289,207
Singapore	**13,230**	51,061	**1,392**	875,307
Australia	**110,878**	296,005	**60,830**	310,447
Vietnam	**4,503**	11,274	**102,249**	102,832
United Kingdom	**-**	-	**2,490,030**	2,008,185
	3,593,589	4,287,777	**18,673,245**	15,585,978

(d) Information about major customers

There is no significant concentration of revenue from any major customers as the Group sells its development properties to individual end purchasers.

49. SIGNIFICANT EVENTS

(a) On 8 March 2018, S P Setia entered into a Share Purchase Agreement ("SPA") with Mekar Gemilang Sdn Bhd ("Vendor"), to acquire 500,000 ordinary shares, representing the remaining 50% equity interest of Setia Federal Hill Sdn Bhd ("Setia Federal Hill") for a total cash consideration of RM431,891,000 upon the terms and consideration contained in the SPA ("Proposed Acquisition").

The condition precedents were subsequently fully met and the Proposed Acquisition was duly completed on 13 April 2018.

As a result, Setia Federal Hill which was previously a 50% owned joint venture of the Group, became a wholly-owned subsidiary of S P Setia Berhad. The effects on the acquisition are disclosed in Note 8.

(b) On 14 April 2017, S P Setia, vide its wholly-owned subsidiary, KL East Sdn Bhd ("KL East"), entered into the following agreements with Seriemas Development Sdn Bhd ("Seriemas"):

i. a conditional sale and purchase agreement ("Bangi SPA") to acquire a piece of freehold land measuring approximately 342.5 acres (or 14,919,300 square feet) located in Bangi, Selangor ("Bangi Land") for a cash consideration of RM447.5 million ("Bangi Purchase Consideration") or RM30.00 per square foot ("psf") of the Bangi Land ("Proposed Bangi Acquisition"); and

ii. a conditional profit sharing agreement ("PSA") in relation to the profit sharing of 20% of the audited profit before tax from the development on the Bangi Land consisting of sale of units and/or land parcels, subject to a maximum RM44.8 million calculated at the rate of RM3.00 psf of the Bangi Land with Seriemas ("Proposed Profit Share").

(both the Proposed Bangi Acquisition and the Proposed Profit Share are collectively referred to as the "Bangi Proposal").

The condition precedents for the Bangi SPA were subsequently fully met and the land acquisition was completed on 21 December 2018.

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES

The financial effects of the first-time adoption of the MFRS Framework as disclosed in Note 1(a) and changes in certain comparative amounts to conform with the current year financial statements presentation for the Group and the Company are as follows:

Statements of Financial Position
As at 31 December 2017

Group	As previously stated RM'000	Adoption of MFRS 15 and withdrawal of FRSIC Consensus 17 RM'000	Adoption of fair value model on investment properties RM'000	Reclassi-fication RM'000	As restated RM'000
Non-current assets					
Property, plant and equipment	425,120	-	-	-	425,120
Investment properties	1,319,701	-	623,388	-	1,943,089
Inventories - land held for property development	10,795,753	(427,945)	-	-	10,367,808
Intangible asset	15,497	-	-	-	15,497
Investments in associated companies	412,278	-	109,171	-	521,449
Investments in joint ventures	2,050,674	-	172,195	-	2,222,869
Other investments	133	-	-	-	133
Other receivables, deposits and prepayments	90,146	-	-	-	90,146
Deferred tax assets	200,590	(1,242)	(14,073)	-	185,275
	15,309,892	(429,187)	890,681	-	15,771,386
Current assets					
Trade receivables	985,983	-	-	-	985,983
Contract assets	-	869,481	-	-	869,481
Other receivables, deposits and prepayments	752,155	-	-	-	752,155
Inventories - property development costs	1,820,822	18,826	-	-	1,839,648
Inventories - completed properties and others	1,702,008	-	-	-	1,702,008
Accrued billings	835,223	(835,223)	-	-	-
Gross amount due from customers	2,936	(2,936)	-	-	-
Amounts owing by joint ventures	585,202	-	-	-	585,202
Amounts owing by associated companies	364	-	-	-	364
Current tax assets	148,682	-	-	-	148,682
Short-term funds	-	-	-	1,377,749	1,377,749
Short-term deposits	1,700,059	-	-	(1,377,749)	322,310
Cash and bank balances	3,879,241	-	-	-	3,879,241
	12,412,675	50,148	-	-	12,462,823
Assets of disposal group classified as held for sale	1,058	-	-	-	1,058
	12,413,733	50,148	-	-	12,463,881
Total assets	27,723,625	(379,039)	890,681	-	28,235,267

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES (CONT'D)

	As previously stated RM'000	Adoption of MFRS 15 and withdrawal of FRSIC Consensus 17 RM'000	Adoption of fair value model on investment properties RM'000	Reclassi-fication RM'000	As restated RM'000
Equity					
Share capital	6,693,971	-	-	-	6,693,971
Share capital - RCPS-i A	1,119,342	-	-	-	1,119,342
Share capital - RCPS-i B	1,064,608	-	-	-	1,064,608
Share-based payment reserve	94,450	-	-	-	94,450
Reserve on acquisition arising from common control	(1,295,884)	-	-	-	(1,295,884)
Exchange translation reserve	138,030	-	(1,114)	-	136,916
Retained earnings	4,129,185	34,940	821,119	-	4,985,244
Equity attributable to owners of the Company	11,943,702	34,940	820,005	-	12,798,647
Perpetual bond	610,787	-	-	-	610,787
Non-controlling interests	1,243,730	3,954	46,209	-	1,293,893
Total equity	13,798,219	38,894	866,214	-	14,703,327
Non-current liabilities					
Redeemable cumulative preference shares	54,667	-	-	-	54,667
Other payables and accruals	40,000	-	-	-	40,000
Long term borrowings	4,914,092	-	-	-	4,914,092
Deferred tax liabilities	215,517	7,137	24,467	-	247,121
	5,224,276	7,137	24,467	-	5,255,880
Current liabilities					
Trade payables	1,561,405	367,950	-	-	1,929,355
Contract liabilities	-	12,469	-	-	12,469
Other payables and accruals	749,704	-	-	-	749,704
Progress billings	6,986	(6,986)	-	-	-
Gross amount due to customers	2,608	(2,608)	-	-	-
Provision for affordable housing	795,895	(795,895)	-	-	-
Short term borrowings	1,963,828	-	-	-	1,963,828
Current tax liabilities	79,749	-	-	-	79,749
Amounts owing to previous shareholders of I & P Group	3,540,500	-	-	-	3,540,500
Amounts owing to related companies	455	-	-	-	455
	8,701,130	(425,070)	-	-	8,276,060
Total liabilities	13,925,406	(417,933)	24,467	-	13,531,940
Total equity and liabilities	27,723,625	(379,039)	890,681	-	28,235,267

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES (CONT'D)

Company	As previously stated RM'000	Adoption of fair value model on investment properties RM'000	Reclassi-fication RM'000	As restated RM'000
Non-current assets				
Property, plant and equipment	2	-	-	2
Investment properties	1,718	1,525	-	3,243
Investments in associated companies	95,621	-	-	95,621
Investments in joint ventures	33,639	-	-	33,639
Investments in subsidiary companies	8,587,501	-	-	8,587,501
Amounts owing to subsidiary companies	2,640,019	-	1,330	2,641,349
Deferred tax assets	433	(45)	-	388
	11,358,933	1,480	1,330	11,361,743
Current assets				
Other receivables, deposits and prepayments	1,822	-	-	1,822
Amounts owing by subsidiary companies	1,499,646	-	(1,330)	1,498,316
Amounts owing by joint ventures	347,905	-	-	347,905
Amounts owing by associated companies	364	-	-	364
Short-term funds	-	-	820,848	820,848
Short-term deposits	907,848	-	(820,848)	87,000
Cash and bank balances	2,478,450	-	-	2,478,450
	5,236,035	-	(1,330)	5,234,705
Total assets	16,594,968	1,480	-	16,596,448
Equity				
Share capital	6,693,971	-	-	6,693,971
Share capital - RCPS-i A	1,119,342	-	-	1,119,342
Share capital - RCPS-i B	1,064,608	-	-	1,064,608
Share-based payment reserve	94,450	-	-	94,450
Retained earnings	728,845	1,480	-	730,325
Equity attributable to owners of the Company	9,701,216	1,480	-	9,702,696
Perpetual bond	610,787	-	-	610,787
Total equity	10,312,003	1,480	-	10,313,483
Non-current liabilities				
Long term borrowings	1,343,847	-	-	1,343,847
	1,343,847	-	-	1,343,847
Current liabilities				
Other payables and accruals	336,991	-	-	336,991
Short term borrowings	972,605	-	-	972,605
Current tax liabilities	6,296	-	-	6,296
Amounts owing to previous shareholders of I & P Group	3,540,500	-	-	3,540,500
Amounts owing to subsidiary companies	82,726	-	-	82,726
	4,939,118	-	-	4,939,118
Total liabilities	6,282,965	-	-	6,282,965
Total equity and liabilities	16,594,968	1,480	-	16,596,448

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES (CONT'D)

Statements of Financial Position
As at 1 January 2017

Group	As previously stated RM'000	Adoption of MFRS 15 and withdrawal of FRSIC Consensus 17 RM'000	Adoption of fair value model on investment properties RM'000	Reclassi-fication RM'000	As restated RM'000
Non-current assets					
Property, plant and equipment	374,958	-	-	-	374,958
Investment properties	1,113,221	-	639,001	-	1,752,222
Inventories - land held for property development	8,674,347	(523,015)	(28,321)	-	8,123,011
Intangible asset	11,633	-	-	-	11,633
Investments in associated companies	397,835	-	105,354	-	503,189
Investments in joint ventures	1,677,723	-	146,648	-	1,824,371
Other investments	231	-	-	-	231
Deferred tax assets	178,943	(956)	(14,073)	-	163,914
	12,428,891	(523,971)	848,609	-	12,753,529
Current assets					
Trade receivables	892,322	-	-	-	892,322
Contract assets	-	1,082,203	-	-	1,082,203
Other receivables, deposits and prepayments	338,435	-	-	-	338,435
Inventories - property development costs	2,469,618	1,373	(2,717)	-	2,468,274
Inventories - completed properties and others	1,296,023	-	-	-	1,296,023
Accrued billings	1,056,416	(1,056,416)	-	-	-
Gross amount due from customers	3,825	(3,825)	-	-	-
Amounts owing by joint ventures	633,669	-	-	-	633,669
Amounts owing by associated companies	138	-	-	-	138
Amounts owing by related companies	5,320	-	-	-	5,320
Other investments	30,000	-	-	-	30,000
Current tax assets	153,180	-	-	-	153,180
Short-term funds	-	-	-	2,152,970	2,152,970
Short-term deposits	3,004,351	-	-	(2,152,970)	851,381
Cash and bank balances	1,676,169	-	-	-	1,676,169
	11,559,466	23,335	(2,717)	-	11,580,084
Assets of disposal group classified as held for sale	19,000	-	-	-	19,000
	11,578,466	23,335	(2,717)	-	11,599,084
Total assets	24,007,357	(500,636)	845,892	-	24,352,613

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES (CONT'D)

Group	As previously stated RM'000	Adoption of MFRS 15 and withdrawal of FRSIC Consensus 17 RM'000	Adoption of fair value model on investment properties RM'000	Reclassi-fication RM'000	As restated RM'000
Equity					
Share capital	2,140,140	-	-	-	2,140,140
Share capital - RCPS-i A	11,276	-	-	-	11,276
Share premium	2,945,523	-	-	-	2,945,523
Share premium - RCPS-i A	1,115,632	-	-	-	1,115,632
Share-based payment reserve	65,316	-	-	-	65,316
Reserve on acquisition arising from common control	(1,295,884)	-	-	-	(1,295,884)
Exchange translation reserve	204,486	-	-	-	204,486
Retained earnings	3,845,351	17,146	778,067	-	4,640,564
Equity attributable to owners of the Company	9,031,840	17,146	778,067	-	9,827,053
Perpetual bond	610,787	-	-	-	610,787
Non-controlling interests	1,206,081	406	51,045	-	1,257,532
Total equity	10,848,708	17,552	829,112	-	11,695,372
Non-current liabilities					
Redeemable cumulative preference shares	53,513	-	-	-	53,513
Other payables and accruals	40,000	-	-	-	40,000
Long term borrowings	3,798,538	-	-	-	3,798,538
Deferred tax liabilities	214,439	4,430	16,780	-	235,649
	4,106,490	4,430	16,780	-	4,127,700
Current liabilities					
Trade payables	1,635,257	365,910	-	-	2,001,167
Contract liabilities	-	71,698	-	-	71,698
Other payables and accruals	606,312	-	-	-	606,312
Progress billings	65,594	(65,594)	-	-	-
Gross amount due to customers	5,707	(5,707)	-	-	-
Provision for affordable housing	888,925	(888,925)	-	-	-
Short term borrowings	1,974,771	-	-	-	1,974,771
Current tax liabilities	114,709	-	-	-	114,709
Amounts owing to previous shareholders of I & P Group	3,650,000	-	-	-	3,650,000
Amounts owing to related companies	110,884	-	-	-	110,884
	9,052,159	(522,618)	-	-	8,529,541
Total liabilities	13,158,649	(518,188)	16,780	-	12,657,241
Total equity and liabilities	24,007,357	(500,636)	845,892	-	24,352,613

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES (CONT'D)

Company	As previously stated RM'000	Adoption of fair value model on investment properties RM'000	Reclassi-fication RM'000	As restated RM'000
Non-current assets				
Property, plant and equipment	2	-	-	2
Investment properties	1,728	1,515	-	3,243
Investments in associated companies	95,621	-	-	95,621
Investments in joint ventures	33,375	-	-	33,375
Investments in subsidiary companies	4,908,273	-	-	4,908,273
Amounts owing by subsidiary companies	1,790,889	-	-	1,790,889
Deferred tax assets	569	(45)	-	524
	6,830,457	1,470	-	6,831,927
Current assets				
Other receivables, deposits and prepayments	1,480	-	-	1,480
Amounts owing by subsidiary companies	759,561	-	-	759,561
Amounts owing by joint ventures	341,677	-	-	341,677
Amounts owing by associated companies	138	-	-	138
Current tax assets	9,030	-	-	9,030
Short-term funds	-	-	1,332,554	1,332,554
Short-term deposits	1,582,554	-	(1,332,554)	250,000
Cash and bank balances	15,512	-	-	15,512
	2,709,952	-	-	2,709,952
Total assets	9,540,409	1,470	-	9,541,879
Equity				
Share capital	2,140,140	-	-	2,140,140
Share capital - RCPS-i A	11,276	-	-	11,276
Share premium	2,945,523	-	-	2,945,523
Share premium - RCPS-i A	1,115,632	-	-	1,115,632
Share-based payment reserve	65,316	-	-	65,316
Retained earnings	557,885	1,470	-	559,355
Equity attributable to owners of the Company	6,835,772	1,470	-	6,837,242
Perpetual bond	610,787	-	-	610,787
Total equity	7,446,559	1,470	-	7,448,029
Non-current liabilities				
Long term borrowings	1,247,767	-	-	1,247,767
	1,247,767	-	-	1,247,767
Current liabilities				
Other payables and accruals	11,428	-	-	11,428
Short term borrowings	736,072	-	-	736,072
Amounts owing to subsidiary companies	98,583	-	-	98,583
	846,083	-	-	846,083
Total liabilities	2,093,850	-	-	2,093,850
Total equity and liabilities	9,540,409	1,470	-	9,541,879

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES (CONT'D)

Statements of Comprehensive Income
For the financial year ended 31 December 2017

Group	As previously stated RM'000	Adoption of MFRS 15 and withdrawal of FRSIC Consensus 17 RM'000	Adoption of fair value model on investment properties RM'000	Reclassi-fication RM'000	As restated RM'000
Continuing operations					
Revenue	4,520,112	(167,335)	-	(65,000)	4,287,777
Cost of sales	(3,006,459)	24,452	-	86,944	(2,895,063)
Gross profit	1,513,653	(142,883)	-	21,944	1,392,714
Other income	287,924	(38,274)	3,070	255	252,975
Selling and marketing expenses	(262,916)	173,932	-	(21,944)	(110,928)
Administrative and general expenses	(410,078)	31,560	13,390	(4,291)	(369,419)
Share of results of joint ventures	257,765	-	25,915	-	283,680
Share of results of associated companies	22,429	-	3,817	-	26,246
Finance costs	(137,360)	-	-	-	(137,360)
Profit before tax from continuing operations	1,271,417	24,335	46,192	(4,036)	1,337,908
Taxation	(285,770)	(2,993)	(7,995)	(2,145)	(298,903)
Profit from continuing operations, net of tax	985,647	21,342	38,197	(6,181)	1,039,005
Discontinued operations					
Profit from discontinued operations, net of tax	83,385	-	19	6,181	89,585
Profit for the year	1,069,032	21,342	38,216	-	1,128,590
Other comprehensive income, net of tax					
Exchange differences on translation of foreign operations	(66,599)	-	(1,114)	-	(67,713)
Total comprehensive income for the year	1,002,433	21,342	37,102	-	1,060,877
Profit attributable to:					
Holders of Perpetual bond	36,236	-	-	-	36,236
Non-controlling interests	99,939	3,549	(4,837)	-	98,651
	136,175	3,549	(4,837)	-	134,887
Owners of the Company					
- from continuing operations	849,472	17,793	43,034	(6,181)	904,118
- from discontinued operations	83,385	-	19	6,181	89,585
	932,857	17,793	43,053	-	993,703
	1,069,032	21,342	38,216	-	1,128,590

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES (CONT'D)

Group	As previously stated RM'000	Adoption of MFRS 15 and withdrawal of FRSIC Consensus 17 RM'000	Adoption of fair value model on investment properties RM'000	Reclassi-fication RM'000	As restated RM'000
Total comprehensive income attributable to:					
Holders of Perpetual bond	36,236	-	-	-	36,236
Non-controlling interests	99,796	3,549	(4,837)	-	98,508
	136,032	3,549	(4,837)	-	134,744
Owners of the Company					
- from continuing operations	783,016	17,793	41,920	(6,181)	836,548
- from discontinued operations	83,385	-	19	6,181	89,585
	866,401	17,793	41,939	-	926,133
	1,002,433	21,342	37,102	-	1,060,877

Company	As previously stated RM'000	Adoption of fair value model on investment properties RM'000	As restated RM'000
Other income	960,416	-	960,416
Selling and marketing expenses	(56)	-	(56)
Administrative and general expenses	(23,823)	10	(23,813)
Finance costs	(90,529)	-	(90,529)
Profit before tax	846,008	10	846,018
Taxation	(19,788)	-	(19,788)
Profit for the year	826,220	10	826,230
Total comprehensive income for the year	826,220	10	826,230
Total comprehensive income attributable to:			
Holders of Perpetual bond	36,236	-	36,236
Owners of the Company	789,984	10	789,994
	826,220	10	826,230

50. FIRST-TIME ADOPTION OF MFRS FRAMEWORK AND CHANGES IN COMPARATIVES (CONT'D)

Statements of Cash Flows
For the financial year ended 31 December 2017

Group	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Net cash generated from operating activities	651,903	262,330	914,233
Net cash used in investing activities	(3,060,531)	1,522	(3,059,009)
Net cash generated from financing activities	3,353,107	(263,852)	3,089,255
Net increase in cash and cash equivalents	944,479	-	944,479
Effect of exchange rate changes	(919)	-	(919)
Cash and cash equivalents at 1 January 2017	4,586,503	(5,000)	4,581,503
Cash and cash equivalents at 31 December 2017	5,530,063	(5,000)	5,525,063

Company	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Net cash used in operating activities	(112,447)	110,115	(2,332)
Net cash used in investing activities	(654,546)	(109,500)	(764,046)
Net cash generated from financing activities	2,553,423	(615)	2,552,808
Net increase in cash and cash equivalents	1,786,430	-	1,786,430
Effect of exchange rate changes	(55)	-	(55)
Cash and cash equivalents at 1 January 2017	1,573,754	-	1,573,754
Cash and cash equivalents at 31 December 2017	3,360,129	-	3,360,129

51. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 27 February 2019 by the Board of Directors.

>> Statement By Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Y.A.M Tan Sri Dato' Seri Syed Anwar Jamalullail and Dato' Khor Chap Jen, being two of the Directors of S P Setia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 146 to 294 are drawn up in accordance with the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a Directors' resolution dated 27 February 2019

Y.A.M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Chairman

DATO' KHOR CHAP JEN
Director

Shah Alam, Malaysia

>> Statutory Declaration

Pursuant to Section 251(1) of the Companies Act, 2016

I, Datuk Choy Kah Yew, being the officer primarily responsible for the financial management of S P Setia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 146 to 294 is correct, and make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Datuk Choy Kah Yew)
at Shah Alam)
on 27 February 2019) **DATUK CHOY KAH YEW**
)
)
)

Before me:

Commissioner for Oaths

>> Independent Auditors' Report

To The Members of S P Setia Berhad (Incorporated in Malaysia)

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of S P Setia Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 146 to 294.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Key audit matters in respect of the financial statements of the Group

(a) Revenue and cost of sales from property development activities recognised on percentage of completion method

For the financial year ended 31 December 2018, revenue of RM3,318.94 million and cost of sales of RM2,246.70 million from property development activities account for approximately 92% and 90% of the total Group's revenue and cost of sales respectively.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters in respect of the financial statements of the Group (cont'd)

(a) Revenue and cost of sales from property development activities recognised on percentage of completion method (cont'd)

Where the Group uses percentage of completion method to recognise revenue and profit from its property development activities, the amount of revenue and profit recognised are dependent on, amongst others, the extent of costs incurred to the total estimated costs of construction to derive at the percentage of completion, the actual number of units sold and the estimated total revenue for each of the respective projects.

We identified revenue and cost of sales recognised on percentage of completion method or over time from property development activities as matters requiring audit focus as these areas involved significant management's judgement and estimates in estimating the total property development costs (which is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group).

In assessing the appropriateness of the extent of costs incurred, total estimated costs of construction and total estimated revenue collectively, we have:

- Obtained an understanding of the process in deriving the stage of completion which includes verifying the certified work done such as examining the progress claims from contractors, architect certification, and performing site visits on a sampling basis;
- Evaluated the assumptions applied in estimating the property development costs for property development phases on a sampling basis by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs;
- Verified the gross development value against the signed sales and purchase agreements and estimated selling price of the unsold development to the latest transacted selling price;
- Considered the expected handover date of ongoing development projects on a sampling basis to determine the adequacy of provision for liquidated ascertained damages, if any; and
- Checked the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and considered the implications of identified errors and changes in estimates.

The Group's accounting policies and disclosures on property development activities based on percentage of completion method are disclosed in Notes 1(b)(ii), 1(s)(i), 4, 31 and 32 respectively to the financial statements.

(b) Capitalisation of borrowing costs

The Group capitalises borrowing costs during the period in which development activities are being undertaken or there are ongoing development activities which benefit an entire township. For the financial year ended 31 December 2018, borrowing costs of RM54.04 million, RM184.38 million and RM15.84 million were capitalised to property development costs, land held for property development and investment properties under construction respectively.

We identified capitalisation of borrowing costs as an area requiring audit focus as it involves significant management judgement in determining whether the development activities meet the criteria of an active development. In addition, there are also significant management estimates involved in determining the apportionment of borrowing cost eligible for capitalisation.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters in respect of the financial statements of the Group (cont'd)

(b) Capitalisation of borrowing costs (cont'd)

Our procedures in relation to management's assessment of the capitalisation of borrowing costs include:

- Reading loan agreements to obtain an understanding of the purpose of the loan;
- For non-specific borrowings, where applicable, checking that the general capitalisation rate has been appropriately computed and applied; and
- Checking the calculation of borrowing costs capitalised by verifying the inputs of the calculation such as basis of allocation, interest rates and principal amounts.

The Group's accounting policies and disclosures on capitalisation of borrowing costs are disclosed in Notes 1(b)(ii), 1(v), 3 and 4 respectively to the financial statements.

(c) Net realisable value of completed properties

As at 31 December 2018, the carrying amount of completed properties stood at RM1,581.06 million which represents 15% of the Group's total current assets. Completed properties are classified as inventories and are carried at the lower of cost or net realisable value. Management's annual assessment of realisable value of completed properties is significant to our audit because it is based on assumptions that are affected by expected future market and economic conditions.

Our procedures in relation to management assessment of the net realisable value of completed properties include:

- Comparing the recent transacted prices of comparable completed properties, after taking into consideration of the discount given, or where applicable, for certain properties, reviewed valuation reports obtained by management to facilitate the assessment. We focused our evaluation on those completed properties that are slow moving;
- Where applicable, assessed the objectivity, independence, reputation, experience and expertise of the independent valuers;
- Reviewed the methodology adopted by the independent valuers in estimating the fair value of the completed properties and assessed whether such methodology is consistent with those used in the industry;
- Evaluated the appropriateness of the data used by the independent valuers as input into their valuations. We interviewed the independent valuers, discussed and challenged the significant estimates and assumptions applied in their valuation process; and
- Physical sighting of completed properties on a sampling basis and assessed the related cost of maintenance to determine any potential write down due to physical obsolescence.

The Group's accounting policies and disclosures on completed properties are disclosed in Notes 1(b)(ii), 1(k) and 4 respectively to the financial statements.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters in respect of the financial statements of the Group (cont'd)

(d) Valuation of investment properties

As at 31 December 2018, the carrying amount of investment properties amounted to RM2,059.41 million representing 11% and 7% of the Group's total non-current assets and total assets respectively.

Investment properties are stated at fair value and any gain or loss arising from changes in the fair value are included in profit or loss in the year in which they arise. The Group has appointed independent professional valuers to perform valuations on its investment properties. The valuations are based on assumptions, amongst others, comparable historical transactions and adjustments factors to comparable transactions including location, size, condition, accessibility and design and market knowledge, estimated rental value per square feet, expected market rental growth and discount rate.

We consider the valuation of the investment properties as an area of audit focus as such valuation involves significant judgement and estimates that are highly subjective.

Our procedures to address this area of focus include, amongst others, the following:

- Assessed the objectivity, independence, reputation, experience and expertise of the independent valuers;
- Reviewed the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry; and
- Evaluated the appropriateness of the data used by the independent valuers as input into their valuations. We interviewed the external valuers, discussed and challenged the significant estimates and assumptions applied in their valuation process.

The Group's accounting policies and disclosures on investment properties are disclosed in Notes 1(b)(ii), 1(g) and 3 respectively to the financial statements.

(e) Acquisition of remaining 50% equity interest in Setia Federal Hill Sdn Bhd ("SFH")

The Company had on 13 April 2018 completed the acquisition of the remaining 50% equity interest of SFH from Mekar Gemilang Sdn Bhd for a total cash consideration of RM431.89 million. Upon completion of the acquisition, SFH became a wholly owned subsidiary of the Group.

Management has performed the purchase price allocation ("PPA") exercise for this acquisition to ascertain the fair value of the identifiable net assets ("FVINA") of remaining equity interest in SFH and has recognised a gain on remeasurement of retained equity interest of RM311.59 million and gain on deemed disposal of previously held investment in joint venture of RM36.94 million in the financial statements.

We identified the acquisition to be a key audit matter due to the magnitude of the gain and the significant judgement and assumptions involved, particularly in relation to the valuation of the land owned by SFH. The Group engaged an external valuer to determine the fair value of the land.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters in respect of the financial statements of the Group (cont'd)

(e) Acquisition of remaining 50% equity interest in Setia Federal Hill Sdn Bhd ("SFH") (cont'd)

Our procedures to address this area of focus include, amongst others, the following:

- Reviewed management's assessment on the accounting for acquisition in accordance with MFRS 3 Business Combinations;
- Assessed the objectivity, independence, reputation, experience and expertise of the independent valuers;
- Reviewed the methodology adopted by the independent valuers in estimating the fair value of the land and assessed whether such methodology is consistent with those used in the industry; and
- Evaluated the appropriateness of the data used by the independent valuers as input into their valuations. We interviewed the external valuers, discussed and challenged the significant estimates and assumptions applied in their valuation process.

The detail of the above acquisition is disclosed in Note 8 and 49 to the financial statements.

Key audit matter in respect of the financial statements of the Company

(f) Impairment assessment of investment in subsidiary companies

As at 31 December 2018, the carrying amount of the investment in subsidiary companies of the Company amounted to RM9,096.65 million, representing 71% and 59% of the Company's total non-current assets and total assets respectively.

At the reporting date, the Company reviewed its investments in subsidiary companies for indications of impairment and where such indications exist, the Company performed an impairment assessment to determine the recoverable amounts of such investments. The Company estimated the recoverable amount of the respective cash generating units ("CGU"s) based on their fair value less cost to sell or their respective value-in-use ("VIU") whichever is higher. Estimating the VIU of the CGUs involved estimates made by management relating to the future cash inflows and outflows that will be derived from the CGU and discounting them at the appropriate rate. The cash flow forecasts included a number of significant judgements and estimates such as the revenue growth rate, discount rate and terminal growth rate.

We consider this to be an area of focus for our audit as the amounts involved are significant, the assessment process is complex and involves significant management's judgements about future market and economic conditions and changes in assumptions may lead to a significant change in the recoverable amount of the investment in subsidiary companies.

Our procedures to address this area of focus included, amongst others, the following:

- Obtained an understanding of the relevant internal controls over the process of estimating the recoverable amounts of the CGUs;
- Evaluated the appropriateness of the methodology and approach applied;

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matter in respect of the financial statements of the Company (cont'd)

(f) Impairment assessment of investment in subsidiary companies (cont'd)

Our procedures to address this area of focus included, amongst others, the following: (cont'd)

- For impairment assessment based on VIU, we have:
    - Checked the basis of preparing the cash flow forecasts taking into consideration the assessment of management's historical budgeting accuracy; and
    - Evaluated whether key assumptions which comprised the revenue growth rate, discount rate and terminal growth rate were reasonable by making comparisons to historical trends, taking into consideration the current and expected outlook of the economic growth.
- For impairment assessment based on fair value less cost to sell, to the extent that management relied on valuation reports provided by independent professional valuers, we have:
    - Assessed the objectivity, independence, reputation, experience and expertise of the independent valuers;
    - Reviewed the methodology adopted by the independent valuers in estimating the fair value of the assets and assessed whether such methodology is consistent with those used in the industry; and
    - Evaluated the appropriateness of the data used by the independent valuers as input into their valuations. We interviewed the external valuers, discussed and challenged the significant estimates and assumptions applied in their valuation process.
- Analysed the sensitivity of the key assumptions by assessing the impact of changes to the key assumptions on the recoverable amount.

We also reviewed and assessed the Company's disclosures relating to the impairment of assessment of investment in subsidiary companies in Note 1(b)(ii), 1(o) and 8.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Director's Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon (cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choo Kai
No. 02030/03/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
27 February 2019

>> Analysis of Shareholdings

As at 8 March 2019

Issued and Paid-Up Share Capital	: RM10,384,947,296.95 divided into 3,958,563,502 ordinary shares ("Ordinary Shares") and 1,088,657,886 Islamic redeemable convertible preference shares ("RCPS-i-A") and 1,187,219,184 Class B Islamic redeemable convertible preference shares ("RCPS-i B")
Class of Shares	: Ordinary Shares, RCPS-i A and RCPS-i B
Voting Rights	: One Vote per Ordinary Share or RCPS-i A or RCPS-i B

DISTRIBUTION OF SHAREHOLDINGS OF ORDINARY SHARES

Size of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares	%
less than 100	1,082	13.31	39,709	0.00
101 - 1,000	1,712	21.05	982,836	0.02
1,001 - 10,000	3,646	44.84	14,217,282	0.36
10,001 - 100,000	1,207	14.84	35,268,885	0.89
100,001 to less than 5% of issued shares	481	5.91	1,262,565,697	31.89
5% and above of issued shares	4	0.05	2,645,489,093	66.83
Total	**8,132**	**100.00**	**3,958,563,502**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name of Ordinary Shareholders	No. of Ordinary Shares	%
1.	Permodalan Nasional Berhad	1,015,555,494	25.65
2.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	955,930,361	24.15
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	391,816,075	9.90
4.	Kumpulan Wang Persaraan (Diperbadankan)	282,187,163	7.13
5.	Amanahraya Trustees Berhad Amanah Saham Malaysia	127,398,637	3.22
6.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	99,221,670	2.51
7.	Valuecap Sdn Bhd	92,533,967	2.34
8.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	73,219,321	1.85
9.	Urusharta Jamaah Sdn Bhd	71,799,700	1.81
10.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	40,593,235	1.03
11.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	36,586,052	0.92
12.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	31,148,800	0.79
13.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	23,297,033	0.59

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name of Ordinary Shareholders	No. of Ordinary Shares	%
14.	Amanahraya Trustees Berhad Public Ittikal Sequel Fund	22,530,194	0.57
15.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Affin-Hwg)	22,032,532	0.56
16.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	20,405,528	0.52
17.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	18,940,711	0.48
18.	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	18,221,354	0.46
19.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	15,105,645	0.38
20.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	14,512,912	0.37
21.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	14,185,600	0.36
22.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Asia Pacific Equity Fund (FID Glob Inv FD)	12,900,200	0.33
23.	Yayasan Gerakbakti Kebangsaan	10,719,145	0.27
24.	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	9,730,532	0.25
25.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For MSCI Equity Index Fund B – Malaysia	8,891,600	0.22
26.	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for People's Bank of China (SICL Asia EM)	8,652,600	0.22
27.	Pertubuhan Keselamatan Sosial	7,914,300	0.20
28.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	7,680,200	0.19
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund ZYEF for Vanguard Global EX-U.S. Real Estate IndexFund	7,666,000	0.19
30.	Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund	7,652,550	0.19
		3,469,029,111	**87.63**

DISTRIBUTION OF SHAREHOLDINGS OF RCPS-i A

Size of Shareholdings	No. of Holders of RCPS-i A	%	No. of RCPS-i A	%
less than 100	46	3.45	1,753	0.00
100 - 1,000	406	30.41	221,487	0.02
1,001 - 10,000	620	46.44	2,189,649	0.20
10,001 - 100,000	162	12.13	4,803,704	0.44
100,001 to less than 5% of issued shares	97	7.27	270,650,887	24.86
5% and above of issued shares	4	0.30	810,790,406	74.48
Total	**1,335**	**100.00**	**1,088,657,886**	**100.00**

LIST OF THIRTY LARGEST HOLDERS OF RCPS-i A

	Name of Holders of RCPS-i A	No. of RCPS-i A	%
1.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	372,483,700	34.21
2.	Permodalan Nasional Berhad	273,400,432	25.11
3.	Kumpulan Wang Persaraan (Diperbadankan)	108,006,374	9.92
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	56,899,900	5.23
5.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	42,745,400	3.93
6.	Amanahraya Trustees Berhad Amanah Saham Malaysia	32,071,600	2.95
7.	Lembaga Tabung Haji	32,000,000	2.94
8.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	27,737,200	2.55
9.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	24,046,800	2.21
10.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Affin-Hwg)	16,673,800	1.53
11.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	15,000,000	1.38
12.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund	6,763,800	0.62
13.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Maybank Dividend Trust Fund (5428)	5,282,233	0.49
14.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment - HW Flexi Fund (270519)	4,599,100	0.42
15.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberislamic)	4,533,304	0.42
16.	Amanahraya Trustees Berhad Public Ittikal Sequel Fund	3,605,132	0.33
17.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	3,325,537	0.31
18.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,883,653	0.26
19.	Maybank Nominees (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad for MSIG Insurance (Malaysia) Bhd (210236)	2,663,667	0.24
20.	Maybank Nominees (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad for Hong Leong Assurance Berhad (PAR-220082)	2,647,800	0.24
21.	Universal Trustee (Malaysia) Berhad KAF Dana Adib	2,410,000	0.22
22.	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	2,274,705	0.21
23.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad	2,189,548	0.20
24.	Ng Ho Fatt	1,723,100	0.16
25.	CIMB Commerce Trustee Berhad Public Focus Select Fund	1,638,006	0.15
26.	KAF Trustee Berhad KIFB for The Institute of Strategic and International Studies Malaysia	1,593,200	0.15
27.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	1,465,440	0.13
28.	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad-Amanah Saham Kedah	1,332,000	0.12
29.	Ng Ho Fatt	1,280,000	0.12
30.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Maybank Value Trust Fund (4249)	1,200,000	0.11
		1,054,475,431	**96.86**

DISTRIBUTION OF SHAREHOLDINGS OF RCPS-i B

Size of Shareholdings	No. of Holders of RCPS-i B	%	No. of RCPS-i B	%
less than 100	42	3.52	1,506	0.00
100 - 1,000	357	29.95	198,597	0.02
1,001 - 10,000	544	45.64	1,922,242	0.16
10,001 - 100,000	149	12.50	4,724,605	0.40
100,001 to less than 5% of issued shares	97	8.14	345,787,460	29.13
5% and above of issued shares	3	0.25	834,584,774	70.30
Total	**1,192**	**100.00**	**1,187,219,184**	**100.00**

LIST OF THIRTY LARGEST HOLDERS OF RCPS-i B

	Name of Holders of RCPS-i B	No. of RCPS-i B	%
1.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	407,156,800	34.29
2.	Permodalan Nasional Berhad	339,173,422	28.57
3.	Kumpulan Wang Persaraan (Diperbadankan)	88,254,552	7.43
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	56,358,156	4.75
5.	Amanahraya Trustees Berhad Amanah Saham Malaysia	55,424,100	4.67
6.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	43,164,000	3.64
7.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	38,737,800	3.26
8.	Lembaga Tabung Haji	29,000,000	2.44
9.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	17,126,400	1.44
10.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	13,410,500	1.13
11.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Affin-Hwg)	7,808,426	0.66
12.	Amanahraya Trustees Berhad Amanah Saham Nasional	7,503,600	0.63
13.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	6,280,945	0.53
14.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	5,056,600	0.43
15.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	3,382,600	0.28
16.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Siva Kumar a/l M Jeyapalan (PBCL-0G0015)	3,237,900	0.27
17.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Jersey for Aberdeen Asian Income Fund Limited	3,040,000	0.26
18.	Amanahraya Trustees Berhad ASN Equity 2	2,916,900	0.25
19.	Amanahraya Trustees Berhad ASN Umbrella for ASN Equity 3	2,698,400	0.23
20.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	2,572,075	0.22
21.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	2,513,474	0.21
22.	Amanahraya Trustees Berhad ASN Imbang (Mixed Asset Balanced) 1	2,388,000	0.20
23.	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	2,316,453	0.20
24.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	2,235,638	0.19
25.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,044,984	0.17
26.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	1,884,048	0.16
27.	Pertubuhan Keselamatan Sosial	1,879,700	0.16
28.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	1,794,720	0.15
29.	Cartaban Nominees (Asing) Sdn Bhd BCSL Client AC PB Cayman Clients	1,712,016	0.14
30.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Saham Amanah Sabah (ACC 2-940410)	1,631,462	0.14
		1,152,703,671	**97.09**

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	% of Issued Shares	Indirect Interest	% of Issued Shares
Permodalan Nasional Berhad	1,015,555,494	25.65	-	-
Amanahraya Trustees Berhad – Amanah Saham Bumiputera	955,930,361	24.15	-	-
Employees Provident Fund Board	442,933,497	11.19	-	-
Kumpulan Wang Persaraan (Diperbadankan)	282,187,163	7.13	20,800,870	0.53
Yayasan Pelaburan Bumiputra	-	-	1,015,555,494	25.65

DIRECTORS AND THEIR SHAREHOLDINGS

	No. of Ordinary Shares Held							
Name	Direct	%	Indirect	%	No. of RCPS-i A Held	No. of RCPS-i B Held	No. of shares under the Employee Share Grant Plan	No. of share options under the Employee Share Option Scheme
Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail	-	-	-	-	-	-	-	-
Dato' Khor Chap Jen	1,203,051	0.03	-	-	222,178	321,778	501,000	25,449,670
Dato' Halipah Binti Esa	-	-	-	-	-	-	-	-
Dato' Ahmad Pardas Bin Senin	-	-	-	-	-	-	-	-
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob	-	-	-	-	-	-	-	-
Dato' Zuraidah Binti Atan	-	-	-	-	-	-	-	-
Tengku Dato' Ab. Aziz Bin Tengku Mahmud	-	-	-	-	-	-	-	-
Noraini Binti Che Dan	-	-	-	-	-	-	-	-
Philip Tan Puay Koon	-	-	-	-	-	-	-	-
Dato' Azmi Bin Mohd Ali	-	-	-	-	-	-	-	-

>> **List of Material Properties** Held by The Group

As at 31 December 2018

No.	Location	Description	Date of Acquisition	Land Area (sq. ft.)	Tenure	Net Book Value (RM'000)
1	HSD120100 & HSD120110, Bandar Kuala Lumpur	Land held for development	29/11/2012 13/04/2018	2,246,389	Leasehold	2,508,356
2	Lot 9149L at Toh Tuck Road, Singapore	Land under development	17/07/2017	201,517	Leasehold	903,047
3	Daerah Kelang, Mukim of Klang, Selangor Darul Ehsan	Land under development and held for development	24/10/2001	21,552,181	Freehold	863,858
4	Seksyen 95A & 98, Kampung Haji Abdullah Hukum, Kuala Lumpur	Land use right	24/10/2011	-	Leasehold	829,523
5	Mukim Bukit Raja, Daerah Petaling, Selangor Darul Ehsan	Land under development and held for development	30/03/2002	12,425,254	Freehold	740,596
6	Mukim 06, Daerah Seberang Perai Utara, Pulau Pinang	Land held for development	22/12/2016	72,955,595	Freehold	702,337
7	Mukim Beranang, Daerah Hulu Langat, Selangor Darul Ehsan	Land under development and held for development	28/11/2012	33,172,850	Freehold	649,349
8	Pekan Kinrara, Daerah Petaling Selangor Darul Ehsan	Land under development and held for development	24/12/1981	4,433,101	Freehold	476,989
9	Mukim Beranang, Daerah Ulu Langat, Selangor Darul Ehsan	Land under development and held for development	05/10/2016	35,065,800	Freehold	457,344
10	Mukim Semenyih, Daerah Hulu Langat, Selangor Darul Ehsan	Land under development and held for development	03/10/2011	11,171,462	Freehold	448,993

>> **Notice** of Annual General Meeting

S P Setia Berhad
(Company No. 19698-X)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the Forty Forth (44th) Annual General Meeting of the Company will be 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.** for the following purposes:

AGENDA

1. To receive the audited financial statements of the Company for the financial year ended 31 December 2018 together with the reports of the Directors and auditors thereon. — **Please refer to Explanatory Note A**

2. To re-elect Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail, who retires in accordance with Article 98 of the Company's Articles of Association and, being eligible, offers himself for re-election. — **Resolution 1**

3. To re-elect the following Directors who retire in accordance with Articles 93 and 94 of the Company's Articles of Association and, being eligible, offer themselves for re-election:

   (1) Dato' Khor Chap Jen — **Resolution 2**

   (2) Noraini binti Che Dan — **Resolution 3**

   (3) Philip Tan Puay Koon — **Resolution 4**

   (4) Dato' Azmi bin Mohd Ali — **Resolution 5** *[Explanatory Note 1]*

4. To approve the payment of Directors' fees amounting to RM50,000 per month for the Non-Executive Chairman and RM12,000 per month for each of the Non-Executive Directors for the period from 17 May 2019 up to the date of the next Annual General Meeting. — **Resolution 6**

5. To approve the payment of Directors' other remuneration and benefits to the Non-Executive Directors for the period from 17 May 2019 up to the date of the next Annual General Meeting amounting up to approximately RM1,455,000. — **Resolution 7** *[Explanatory Note 2]*

6. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring auditors, as the auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — **Resolution 8**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions:

7. ORDINARY RESOLUTION

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SPECIFIED IN SECTION 2.3.1 OF THE CIRCULAR TO SHAREHOLDERS DATED 17 APRIL 2019

Resolution 9
[Explanatory Note 3]

"THAT, subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("S P Setia Group") to enter into and give effect to specified recurrent related party transactions of a revenue or trading nature of the S P Setia Group with specified classes of Related Parties (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as specified in Section 2.3.1 of the Circular to Shareholders dated 17 April 2019) which are necessary for the day to day operations in the ordinary course of business and are carried out at arm's length basis on normal commercial terms of the S P Setia Group and on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to minority shareholders of the Company and such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company ("AGM") at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things as they may consider necessary or expedient in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. ORDINARY RESOLUTION

PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW ORDINARY SHARES IN THE COMPANY ("S P SETIA SHARES"), FOR THE PURPOSE OF THE COMPANY'S DIVIDEND REINVESTMENT PLAN ("DRP") THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY ("SHAREHOLDERS") THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN NEW S P SETIA SHARES

Resolution 10
[Explanatory Note 4]

"THAT pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 20 March 2014 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new S P Setia Shares from time to time as may be required to be allotted and issued pursuant to the DRP upon such terms and conditions and to such persons as the Directors of the Company at their sole and absolute discretion, deem fit and in the interest of the Company PROVIDED THAT the issue price of the said new S P Setia Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5) market days volume weighted average market price ("VWAP") of S P Setia Shares immediately prior to the price-fixing date, of which VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price of S P Setia Shares;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company."

9. SPECIAL RESOLUTION

PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

Resolution 11
[Explanatory Note 5]

"THAT approval be and is hereby given for the Company to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing".

10. To transact any other business of which due notice shall have been given.

By Order of the Board

LEE WAI KIM (MAICSA 7036446)
Company Secretary

17 April 2019
Selangor Darul Ehsan

NOTES:

1. *A member of the Company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, subject to the Constitution of the Company.*

2. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*

3. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with shares of the Company standing to the credit of the securities account.*

5. *The Form of Proxy, in the case of an individual, shall be signed by the appointor or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

6. *The Form of Proxy duly completed and signed must be deposited at the Company's share registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.*

7. *Only members whose names appear in the Record of Depositors on 10 May 2019 shall be entitled to attend, speak and vote at this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.*

EXPLANATORY NOTE A

This Agenda item is meant for discussion only as under the provisions of Sections 248(2) and 340(1)(a) of the Act and the Company's Constitution, the audited accounts do not require the formal approval of shareholders. As such, this item is not put forward for voting.

OTHER EXPLANATORY NOTES

1. Resolutions 1, 2, 3, 4 and 5 - Re-election of Directors

The Board is satisfied that in consideration of their wealth of expertise and experience, Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail, Dato' Khor Chap Jen, Noraini binti Che Dan, Philip Tan Puay Koon and Dato' Azmi bin Mohd Ali will continue to bring sound judgment and valuable contribution to board deliberations through active participation in discussions in decision making by the Board. Their profiles are set out on pages 30, 31, 37, 38 and 39 of the Integrated Report 2018.

In view thereof, the Board supports the re-election of the aforesaid Directors at the 44th AGM.

2. Resolution 7 - Payment of Other Remuneration and Benefits to Non-Executive Directors of the Company

Based on the Non-Executive Directors' Remuneration Framework, the Non-Executive Directors' remuneration (other than fee) comprised of the following:

Description of Remuneration/Benefits	
Monthly Fixed Allowance	Chairman of Board Committee – RM3,000 Member of Board Committee – RM2,000
Meeting Allowance	Chairman and Board Member – RM1,500 per meeting Board Committee Chairman and Member – RM1,500 per meeting
Allowance for membership on the board of directors of significant project/investment as appointed by the Board of the Company	RM5,000 per month
Other Benefits	Car, petrol and driver for Chairman, security services, Directors and Officers Liability Insurance, medical, hospitalisation and travel insurance and other claimable benefits

The estimated amount of up to approximately RM1,455,000 is calculated based on the expected number of meetings and other monthly allowances and benefits for the period from 17 May 2019 up to the next AGM of the Company, tentatively will be held in May 2020.

3. Resolution 9 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution 9, if approved, will allow the S P Setia Group to enter into recurrent related party transactions of a revenue and trading nature relating to sale of properties by the S P Setia Group to related parties. The details of the proposal are set out in the Circular to Shareholders dated 17 April 2019 which is circulated together with the Integrated Report 2018.

4. Resolution 10 - Proposed Renewal of the Authority to Allot and Issue New S P Setia Shares for the purpose of the Company's DRP that Provides the Shareholders the Option to Elect to Reinvest their Cash Dividend in New S P Setia Shares

The proposed Resolution 10, if approved, will re-new the authority given to the Directors to allot and issue new S P Setia Shares pursuant to the DRP under the resolution passed at the 43rd AGM held on 17 May 2018, the authority of which will lapse at the conclusion of the 44th AGM.

5. Resolution 11 - Proposed Adoption of New Constitution of the Company

The proposed Constitution of the Company, set out in Appendix A, which is circulated together with the Integrated Report 2018, shall take effect upon the passing of Resolution 11 as a special resolution at the 44th AGM.

>> Group Directory

HEAD OFFICE

S P SETIA BERHAD (19698-X)

S P SETIA PROJECT MANAGEMENT SDN BHD (246695-X)

SETIA IP HOLDINGS SDN BHD (1122728-W)

SETIA PRECAST SDN BHD (347177-A)
S P Setia Bhd Corporate HQ
12, Persiaran Setia Dagang
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 3348 2255
F +603 3348 3232
E corp@spsetia.com

S P SETIA FOUNDATION
T +603 3348 2794
F +603 3348 2795
E setiacare@spsetia.com

SETIA BADMINTON ACADEMY
4, Persiaran Setia Murni
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 3344 1466
F +603 3344 4255
E sba@spsetia.com

CENTRAL REGION

ALAM DAMAI
SYARIKAT PERUMAHAN PEGAWAI KERAJAAN SDN BHD (10586-D)
Alam Damai Sales Gallery
20, Lingkungan Alam Damai
Alam Damai, 56000 Cheras
Kuala Lumpur, Malaysia
T +603 9107 8895
F +603 9100 3845
E alamdamai@spsetia.com

ALAM IMPIAN
I & P ALAM IMPIAN SDN BHD
(394244-M)
Alam Impian Welcome Centre
1, Jalan Panglima Hitam 35/26
Alam Impian, Seksyen 35
40470 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 5162 7600
F +603 5162 1478
E alamimpian@spsetia.com

ALAM SUTERA
SYARIKAT PERUMAHAN PEGAWAI KERAJAAN SDN BHD (10586-D)
BANDAR KINRARA
PERUMAHAN KINRARA BERHAD
(305-P)
Bandar Kinrara Welcome Centre
Eight Kinrara - Block B, Jalan BK 5A/1
Bandar Kinrara, 47180 Puchong
Selangor Darul Ehsan, Malaysia
T +603 8082 9525
F +603 8082 9500
E bandarkinrara@spsetia.com

BANDAR BARU SERI PETALING
PETALING GARDEN SDN BHD
(3113-T)
Bandar Baru Seri Petaling Sales Gallery
16-1, Jalan Radin Tengah
Bandar Baru Seri Petaling
57000 Kuala Lumpur, Malaysia
T +603 9055 5522
F +603 9055 5525
E bbsp@spsetia.com

BAYUEMAS
I & P KOTA BAYUEMAS SDN BHD
(568517-V)
Bayuemas Sales Gallery
4 Jalan Bayu Impian 10/KS9
Kota Bayuemas, 41200 Klang
Selangor Darul Ehsan, Malaysia
T +603 3325 1700
F +603 3325 1800
E bayuemas@spsetia.com

KL ECO CITY
KL ECO CITY SDN BHD (185140-X)
Setia International Centre
Lot 215, Pantai Baru, Jalan Bangsar
59200 Kuala Lumpur, Malaysia
T +603 2287 5522
F +603 2287 5225
E klecocity@spsetia.com

SETIA ALAM
BANDAR SETIA ALAM SDN BHD
(566140-D)
SETIA ALAMAN
PETALING GARDEN SDN BHD
(3113-T)
Setia Alam Welcome Centre
2, Jalan Setia Indah AD U13/AD
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 3343 2255
F +603 3345 2255
E bsa-sales@spsetia.com

SETIA ALAMSARI
I & P MENARA SDN BHD (97237-W)
Setia Alamsari Sales Galleria
1, Persiaran Alam Sari 3
Alam Sari, 43000 Kajang
Selangor Darul Ehsan, Malaysia
T +603 8736 2255
F +603 8741 2251
E setiaalamsari-sales@spsetia.com

SETIA CITY CONVENTION CENTRE
S P SETIA PROPERTY SERVICES SDN BHD (1007655-H)
1 & 3, Jalan Setia Dagang AG U13/AG
Setia Alam Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 3359 5252
F +603 3359 2552
E setiacitycc@spsetia.com

SETIA ECO GLADES
SETIA ECO GLADES SDN BHD
(767476-H)
Setia Eco Glades Lifestyle Gallery
Persiaran Setia Eco Glades
Setia Eco Glades, Cyber 1
63200 Cyberjaya
Selangor Darul Ehsan, Malaysia
T +603 8008 2228
F +603 8008 2233
E eco-glades@spsetia.com

SETIA ECOHILL
SETIA ECOHILL SDN BHD (903607-T)
SETIA ECOHILL 2
SETIA ECOHILL 2 SDN BHD
(466218-P)
SETIA MAYURI
SETIA MAYURI SDN BHD (174000-U)
Setia Ecohill Welcome Centre
Kelab 360
1, Persiaran Ecohill Barat
Setia Ecohill, 43500 Semenyih
Selangor Darul Ehsan, Malaysia
T +603 8724 2255
F +603 8724 2525
E ecohill@spsetia.com

SETIA ECO PARK
BANDAR ECO-SETIA SDN BHD
(566138-A)
Setia Eco Park Sales Gallery
5A, Jalan Setia Nusantara U13/17
Setia Eco Park, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 3343 2228
F +603 3343 7228
E eco-sales@spsetia.com

SETIA ECO TEMPLER
SETIA ECO TEMPLER SDN BHD
(1020553-T)
Setia Eco Templer Sales Gallery
1, Jalan Ipoh-Rawang, KM-20
Taman Rekreasi Templer
48000 Rawang
Selangor Darul Ehsan, Malaysia
T +603 6092 2288
F +603 6092 2289
E eco-templer@spsetia.com

SETIA PUTRAJAYA
SETIA PUTRAJAYA SDN BHD
(401732-X)
Customer Relations Department
5, Jalan P15H, Presint 15
62050 Putrajaya
Wilayah Persekutuan Putrajaya
Malaysia
T +603 8893 0006/0008
F +603 8893 0301
E spj-ccd@spsetia.com

SETIA SERAYA RESIDENCES
SETIA PUTRAJAYA DEVELOPMENT SDN BHD (424955-P)
Setia Putrajaya Galleria
14124, Jalan P15H, Presint 15
62050 Putrajaya
Wilayah Persekutuan Putrajaya,
Malaysia
T +603 8861 6500
F +603 8861 7900
E spj-sales@spsetia.com

SETIA SKY RESIDENCES
EXCELJADE SDN BHD (765480-D)
Customer Relations Office
A-1-3, Alia Tower
76, Jalan Raja Muda Abdul Aziz
Off Jalan Tun Razak
50300 Kuala Lumpur, Malaysia
T +603 2714 2255
F +603 2714 2552
E sky-care@spsetia.com

SETIA SKY SEPUTEH
GITA KASTURI SDN BHD (953635-X)
Setia Sky Seputeh Sales Galleria
1, Jalan Taman Seputeh Satu
Taman Seputeh, 58000 Kuala Lumpur
Malaysia
T +603 2276 5252
F +603 2276 3232
E skyseputeh-sales@spsetia.com

TEMASYAGLENMARIE
TEMASYA DEVELOPMENT CO. SDN BHD (19753-K)
TemasyaGlenmarie Welcome Centre
Lot 53389,
Jalan Pengaturcara U1/51A,
Temasya Glenmarie, Seksyen U1,
40150 Shah Alam,
Selangor Darul Ehsan, Malaysia
T +603 5870 1300
F +603 5569 6700
E temasyaglenmarie@spsetia.com

TRIO BY SETIA
GANDA ANGGUN SDN BHD
(537506-W)
Trio Sales Galleria
Lot 82623, Jalan Langat/ KS06
Bandar Bukit Tinggi 1
41200 Klang Bandar Diraja
Selangor Darul Ehsan, Malaysia
T +603 3162 3322
F +603 3162 3323
E trio_sales@spsetia.com.my

SETIA WOOD
SETIA-WOOD INDUSTRIES SDN BHD
(23725-V)
S P SETIA MARKETING SDN BHD
(175198-P)
Lot 5 & 6, Jalan Indah 1/3
Taman Industri Rawang Indah
48000 Rawang
Selangor Darul Ehsan, Malaysia
T +603 6092 8022
F +603 6092 0322/1805
E setiawood@spsetia.com

SOUTHERN REGION

BUKIT INDAH
BUKIT INDAH (JOHOR) SDN BHD
(307260-V)
TAMAN PERLING
PELANGI SDN BHD (13509-H)
TAMAN INDUSTRI JAYA
BILTMORE (M) SDN BHD (125293-X)
Wisma S P Setia
S3-0111, Indahwalk 3,
Jalan Indah 15
Taman Bukit Indah, 81200 Johor Bahru
Johor Darul Takzim, Malaysia
T +607 241 2255
F +607 241 5955
E bij-sales@spsetia.com

SETIA BUSINESS PARK II
SETIA INDAH SDN BHD (185555-H)
2, Jalan Perniagaan Setia 4
Taman Perniagaan Setia
81100 Johor Bahru
Johor Darul Takzim, Malaysia
T +607 562 4352
F +607 555 9352
E sbp-sales@spsetia.com

SETIA ECO CASCADIA
SETIA INDAH SDN BHD (185555-H)
Wisma S P Setia
1, Jalan Setia 3/6, Taman Setia Indah
81100, Johor Bahru
Johor Darul Takzim, Malaysia
T +607 351 2255
F +607 357 9923
E sec-sales@spsetia.com

SETIA ECO GARDENS
SETIA BUSINESS PARK
KESAS KENANGAN SDN BHD
(745817-H)
Pejabat Tapak, Lot 2110, KM 5.5
Jalan Gelang Patah-Ulu Choh
81550 Johor Bahru
Johor Darul Takzim, Malaysia
T +607 555 2525
F +607 555 2552
E eg-sales@spsetia.com

SETIA SKY 88
SETIA CITY DEVELOPMENT SDN BHD (933887-K)
TAMAN PELANGI
PELANGI SDN BHD (13509-H)
#01-01, Blok A, Pangsapuri Setia 88,
Jalan Dato Abdullah Tahir
80300 Johor Bahru
Johor Darul Takzim, Malaysia
T +607 333 2255
F +607 333 2552
E sky88-sales@spsetia.com

SETIA TROPIKA
SETIA INDAH SDN BHD (185555-H)
Tropika Welcome Centre
Level 3A, No.10,
Jalan Setia Tropika 1/21
Taman Setia Tropika
81200 Kempas, Johor Bahru
Johor Darul Takzim, Malaysia
T +607 237 2255
F +607 237 2225
E st-sales@spsetia.com

TAMAN PELANGI INDAH
YUKONG DEVELOPMENT (PTE) LIMITED (991872-U)
PLO 12062, Jalan Persiaran Pelangi
Indah Taman Pelangi Indah
81800 Ulu Tiram, Johor Bahru
Johor Darul Takzim, Malaysia
T +607 861 0555
F +607 861 9235
E pelangiindah-sales@spsetia.com

TAMAN RINTING
TAMAN GUNONG HIJAU SDN BHD
(16420-U)
PTD 46378, Jalan Balau,
Taman Rinting
81750 Masai, Johor Darul Takzim
Malaysia
T +607 382 9188
F +607 386 1697
E rinting-sales@spsetia.com

NORTHERN REGION

SETIA FONTAINES
SETIA FONTAINES SDN BHD
(505572-T)
Setia Fontaines Welcome Centre
Lot 65 & 67, Persiaran Seksyen 4/7
Bandar Putra Bertam
13200 Kepala Batas, Penang, Malaysia
T +604 576 2255
F +604 575 0055
E sf-sales@spsetia.com

Satellite Gallery
108-B-01-18, SPICE Canopy
Jalan Tun Dr. Awang
11900 Penang, Malaysia
T +604 618 0225
F +604 638 3055
E sf-sales@spsetia.com

SETIA PEARL ISLAND
SETIA VISTA
SETIA PROMENADE SDN BHD
(388384-W)
SETIA GREENS
11 BROOK RESIDENCES
KEWIRA JAYA SDN BHD (504851-V)
SETIA V RESIDENCES
SETIA SKYVILLE
KAY PRIDE SDN BHD (177772-V)
Setia Welcome Centre, SPICE
108, Jalan Tun Dr. Awang
11900 Penang, Malaysia
T +604 641 2255
F +604 642 2255
E spi-sales@spsetia.com

SETIA SPICE
ECO MERIDIAN SDN BHD (909427-K)
Setia SPICE Convention Centre
SPICE, 108C, Jalan Tun Dr. Awang
11900 Bayan Lepas, Penang, Malaysia
T +604 643 2525
F +604 641 2250
E setiaspice@spsetia.com

EASTERN REGION

AEROPOD
AEROPOD SDN BHD (767765-P)
Setia Welcome Centre
I-1-1, Block I, Level 1
Aeropod Commercial Square
Jalan Aeropod Off Jalan Kepayan
88200 Kota Kinabalu, Sabah, Malaysia
T +608 821 8255
F +608 821 9255
E aeropod-sales@spsetia.com

INTERNATIONAL

UNITED KINGDOM

BATTERSEA POWER STATION DEVELOPMENT COMPANY
21-22 Circus Road West
Battersea Power Station
London, SW11 8EZ
T +44 20 7501 0678
F +44 20 7501 0699
E sales@bpsdc.co.uk

AUSTRALIA

SAPPHIRE BY THE GARDENS
UNO MELBOURNE
SETIA (MELBOURNE) DEVELOPMENT COMPANY PTY LTD
(ACN 143 464 804)
Level 1, 155 Franklin Street
Melbourne, VIC 3000, Australia
T +613 9616 2525
F +613 9616 2552
E melbourne@spsetia.com

SINGAPORE

DAINTREE RESIDENCE
SETIA (BUKIT TIMAH) PTE LTD
(201711451R)
11A, Toh Tuck Road,
Singapore 596157
T +65 6271 2255
E sg-sales@spsetia.com

S P SETIA INTERNATIONAL (S) PTE LTD (200906303E)
1, Harbourfront Place #01-06
Harbourfront Tower One
Singapore 098633
T +65 6271 2255
F +65 6271 3522
E sg-sales@spsetia.com

VIETNAM

ECOLAKES, MY PHUOC
SETIABECAMEX JOINT STOCK COMPANY
Sales Gallery
R11-1 Street, EcoLakes My Phuoc
Block 6, Thoi Hoa Ward, Ben Cat Town
Binh Duong Province, Vietnam
T +84 274 3577 255
F +84 274 3577 225
E ecolakes-sales@setiabecamex.vn

ECOXUAN, LAI THIEU
SETIA LAI THIEU ONE MEMBER COMPANY LIMITED
1A, NB-N1 Street, EcoXuan Lai Thieu
Lai Thieu Ward, Thuan An Town
Binh Duong Province, Vietnam
T +84 274 366 2255
F +84 274 377 2255
E ecoxuan@spsetia.com.vn

JAPAN

SETIA IZUMISANO CITY CENTRE (SICC)
SETIA INTERNATIONAL JAPAN CO. LTD (0104-03-018355)
S P Setia Bhd Corporate HQ
12, Persiaran Setia Dagang
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 3348 2255
F +603 3348 3232

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S P SETIA BERHAD (19698-X)

FORM OF PROXY

No. of Ordinary Shares Held	
No. of Islamic Redeemable Convertible Preference Shares held	
No. of Class B Islamic Redeemable Convertible Preference Shares held ("RCPS-i B")	
CDS Account Number	

I/We ____ NRIC No./Company No.____________________
(Full Name in Block Letters)

of ____
(Full Address)

being a member/members of S P SETIA BERHAD, hereby appoint ____________________________________
(Full Name in Block Letters)

NRIC No. ____ of ______________________________
(Full Address)

____

and/or failing him/her,___________________________________ NRIC No.__________________________
(Full Name in Block Letters)

of ____
(Full Address)

or failing him/her, the Chairman of the Meeting as * my/our proxy to attend and vote for * me/us and on * my/our behalf at the Forty Fourth (44th) Annual General Meeting of the Company to be 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. and at any adjournment thereof in the manner as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	Re-election of Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail.		
2.	Re-election of Dato' Khor Chap Jen.		
3.	Re-election of Puan Noraini binti Che Dan.		
4.	Re-election of Mr Philip Tan Puay Koon.		
5.	Re-election of Dato' Azmi bin Mohd Ali.		
6.	Approval for the Directors' Fees for the period from 17 May 2019 up to the date of the next Annual General Meeting.		
7.	Approval for the Payment of Extra Remuneration and Provision of Benefits to Directors of the Company for the period from 17 May 2019 up to the date of the next Annual General Meeting.		
8.	Re-appointment of Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	Approval for the Proposed Shareholders' Mandate as specified in Section 2.3.1 of the Circular to Shareholders dated 17 April 2019.		
10.	Approval for the Proposed Authority to Allot and Issue New Ordinary Shares under the Company's Dividend Reinvestment Plan.		
11.	Approval for the Proposed Adoption of New Constitution of the Company.		

** Strike out whichever is not applicable*

(Please indicate with an "X" in the spaces above how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion).

Dated this _____________ day of ________________________ 2019.

____
Signature of Member(s) or Common Seal

Notes:

1. *A member of the Company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, subject to the Constitution of the Company.*

2. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*

3. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with shares of the Company standing to the credit of the securities account.*

5. *The Form of Proxy, in the case of an individual, shall be signed by the appointor or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

6. *The Form of Proxy duly completed and signed must be deposited at the Company's share registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.*

7. *Only members whose names appear in the Record of Depositors on 10 May 2019 shall be entitled to attend, speak and vote at this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.*

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Affix Stamp Here

The Company Secretary
S P Setia Berhad
c/o Tricor Investor & Issuing House Services Sdn Bhd,
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8 Jalan Kerinchi,
59200 Kuala Lumpur

1st fold here

S P Setia Bhd Corporate HQ,
No 12, Persiaran Setia Dagang, Setia Alam,
Seksyen U13, 40170 Shah Alam,
Selangor Darul Ehsan, Malaysia.
Tel +603 3348 2255 **Fax** +603 3344 3232
Email corp@spsetia.com

www.spsetia.com

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