

S P SETIA BERHAD
Company No: 197401002663 (19698-X)
(Incorporated in Malaysia)

Interim Financial Report
30 June 2023

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Interim Financial Report - 30 June 2023

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S P SETIA BERHAD
 (Company No: 197401002663 (19698-X))
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023
(The figures have not been audited)

	(UNAUDITED)	(AUDITED)
	As At	As At
	30/06/2023	31/12/2022
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	798,528	789,465
Right-of-use - property, plant and equipment	707	1,415
Investment properties	2,062,559	2,057,561
Right-of-use - investment properties	54,217	60,372
Inventories - land held for property development	12,388,678	12,522,729
Intangible asset	12,687	12,954
Investments in joint ventures	3,169,861	2,974,523
Investments in associated companies	556,413	555,383
Other investments	96	96
Amounts owing by joint ventures	69,785	69,785
Trade receivables	52,940	61,634
Other receivables, deposits and prepayments	88,489	85,105
Deferred tax assets	372,027	364,910
	<u>19,626,987</u>	<u>19,555,932</u>
Current assets		
Trade receivables	484,757	613,491
Contract assets	1,537,058	1,506,744
Other receivables, deposits and prepayments	198,535	208,964
Inventories - land held for sales	254,631	144,600
Inventories - property development costs	2,706,035	2,676,654
Inventories - completed properties and others	1,089,871	1,238,554
Contract cost assets	996,471	1,096,668
Amounts owing by joint ventures	92,826	94,722
Amounts owing by related parties	681	319
Current tax assets	39,278	49,631
Short-term deposits	886,839	774,206
Cash and bank balances	2,249,658	1,858,702
	<u>10,536,640</u>	<u>10,263,255</u>
TOTAL ASSETS	<u>30,163,627</u>	<u>29,819,187</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8,504,322	8,499,642
Share capital - RCPS-i A	1,087,363	1,087,363
Share capital - RCPS-i C	937,201	937,201
Reserves		
Share-based payment reserve	-	57,888
Reserve on acquisition arising from common control	(1,295,884)	(1,295,884)
Exchange translation reserve	221,267	(11,649)
Retained earnings	4,859,817	4,807,957
Equity attributable to owners of the Company	<u>14,314,086</u>	<u>14,082,518</u>
Non-controlling interests	1,281,169	1,263,912
Total equity	<u>15,595,255</u>	<u>15,346,430</u>
LIABILITIES		
Non-current liabilities		
Redeemable cumulative preference shares	16,845	17,113
Other payables and accruals	73,771	68,078
Long-term borrowings	8,347,111	6,959,185
Lease liabilities	395	302
Deferred tax liabilities	510,880	506,016
	<u>8,949,002</u>	<u>7,550,694</u>
Current liabilities		
Redeemable cumulative preference shares	21,000	21,000
Trade payables	1,280,706	1,423,286
Contract liabilities	146,341	118,807
Other payables and accruals	714,566	886,592
Short-term borrowings	3,403,920	4,420,411
Lease liabilities	289	1,129
Current tax liabilities	52,171	50,458
Amounts owing to related parties	377	380
	<u>5,619,370</u>	<u>6,922,063</u>
Total liabilities	<u>14,568,372</u>	<u>14,472,757</u>
TOTAL EQUITY AND LIABILITIES	<u>30,163,627</u>	<u>29,819,187</u>
Net assets per share attributable to owners of the Company	<u>3.01</u>	<u>2.96</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
 (Company No.: 197401002663 (19698-X))
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023
(The figures have not been audited)

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Revenue	942,717	1,018,446	1,910,382	1,885,543
Cost of sales	(631,427)	(742,528)	(1,332,478)	(1,400,905)
Gross profit	<u>311,290</u>	<u>275,918</u>	<u>577,904</u>	<u>484,638</u>
Other income	61,169	36,755	111,654	65,998
Selling and marketing expenses	(13,845)	(13,411)	(27,796)	(23,556)
Administrative and general expenses	(107,505)	(98,371)	(203,563)	(167,011)
Gain/(loss) on foreign exchange				
- Realised	378	62	607	59
- Unrealised	(17,532)	8,123	(12,811)	20,921
Share of results of joint ventures	(22,687)	(16,665)	(46,561)	(21,352)
Share of results of associated companies	2,904	2,743	7,080	3,587
Finance costs	(94,095)	(60,007)	(170,482)	(109,931)
Profit before tax	<u>120,077</u>	<u>135,147</u>	<u>236,032</u>	<u>253,353</u>
Taxation	(61,958)	(30,149)	(114,981)	(69,039)
Profit for the period	<u>58,119</u>	<u>104,998</u>	<u>121,051</u>	<u>184,314</u>
Other comprehensive income, net of tax:				
Item that may be reclassified to profit or loss in subsequent periods:				
- Exchange differences on translation of foreign operations	236,529	(85,870)	285,420	(95,612)
- Net loss on net investment hedge	(38,858)	-	(52,885)	-
Total comprehensive income for the period	<u>255,790</u>	<u>19,128</u>	<u>353,586</u>	<u>88,702</u>
Profit attributable to:				
Owners of the Company	43,064	80,093	98,513	147,588
Non-controlling interests	15,055	24,905	22,538	36,726
	<u>58,119</u>	<u>104,998</u>	<u>121,051</u>	<u>184,314</u>
Total comprehensive income attributable to:				
Owners of the Company	241,132	(5,958)	331,429	51,781
Non-controlling interests	14,658	25,086	22,157	36,921
	<u>255,790</u>	<u>19,128</u>	<u>353,586</u>	<u>88,702</u>
Earnings per share attributable to owners of the Company				
- Basic earnings per share (sen)	<u>1.06</u>	<u>1.97</u>	<u>1.42</u>	<u>2.01</u>
- Diluted earnings per share (sen)	<u>1.06</u>	<u>1.97</u>	<u>1.42</u>	<u>2.00</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
(Company No.: 197401002663 (19698-X))
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023
(The figures have not been audited)

	Attributable to owners of the Company										
					Non-Distributable		Distributable				
	Share Capital RM'000	Share Capital - RCPS-i A RM'000	Share Capital - RCPS-i B RM'000	Share Capital - RCPS-i C 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	Non- controlling Interests RM'000	Total Equity RM'000
Balance at 01.01.2023	8,499,642	1,087,363	-	937,201	57,888	(1,295,884)	(11,649)	4,807,957	14,082,518	1,263,912	15,346,430
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	-	285,801	-	285,801	(381)	285,420
Net change on hedge of net investments	-	-	-	-	-	-	(52,885)	-	(52,885)	-	(52,885)
Profit for the period	-	-	-	-	-	-	98,513	98,513	98,513	22,538	121,051
Transactions with owners:											
Issuance of ordinary shares											
- Vesting of Employee Share Grant Plan ("ESGP")	4,680	-	-	-	(4,680)	-	-	-	-	-	-
RCPS-i A preferential dividends paid	-	-	-	-	-	-	-	(35,327)	(35,327)	-	(35,327)
RCPS-i C preferential dividends paid	-	-	-	-	-	-	-	(5,310)	(5,310)	-	(5,310)
Dividends paid	-	-	-	-	-	-	-	(59,910)	(59,910)	(4,900)	(64,810)
Share-based payment under Employee Long Term Incentive Plan ("LTIP")	-	-	-	-	(53,208)*	-	-	53,894	686	-	686
Balance at 30.06.2023	8,504,322	1,087,363	-	937,201	-	(1,295,884)	221,267	4,859,817	14,314,086	1,281,169	15,595,255
Balance at 01.01.2022	8,490,225	1,087,363	1,035,218	-	86,927	(1,295,884)	107,157	4,664,527	14,175,533	1,456,206	15,631,739
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	-	(95,807)	-	(95,807)	195	(95,612)
Profit for the period	-	-	-	-	-	-	-	147,588	147,588	36,726	184,314
Transactions with owners:											
Issuance of ordinary shares											
- Exercise of Employee Share Options Scheme ("ESOS")	140	-	-	-	(37)	-	-	-	103	-	103
RCPS-i A preferential dividends paid	-	-	-	-	-	-	-	(35,327)	(35,327)	-	(35,327)
RCPS-i B preferential dividends paid	-	-	-	-	-	-	-	(30,694)	(30,694)	-	(30,694)
Dividends paid	-	-	-	-	-	-	-	(26,443)	(26,443)	(19,057)	(45,500)
Dividends declared	-	-	-	-	-	-	-	-	-	(16,970)	(16,970)
Share-based payment under LTIP	-	-	-	-	4,271	-	-	-	4,271	-	4,271
Balance at 30.06.2022	8,490,365	1,087,363	1,035,218	-	91,161	(1,295,884)	11,350	4,719,651	14,139,224	1,457,100	15,596,324

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes in this report)

*This is stated net of the effect of reversal of share-based payment relating to lapsed entitlements

S P SETIA BERHAD
 (Company No.: 197401002663 (19698-X))
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023
(The figures have not been audited)

	6 MONTHS ENDED	
	30/06/2023	30/06/2022
	RM'000	RM'000
Operating Activities		
Profit before tax	236,032	253,353
Adjustments for:-		
Non-cash items	68,079	13,039
Non-operating items	105,869	61,211
Operating profit before changes in working capital	<u>409,980</u>	<u>327,603</u>
Changes in inventories - property development costs and contract cost assets	332,283	16,392
Changes in inventories - completed properties and others	189,240	193,090
Changes in contract assets/liabilities	13,503	(252,636)
Changes in receivables	151,828	27,498
Changes in payables	(235,632)	(179,332)
Cash generated from operations	<u>861,202</u>	<u>132,615</u>
Rental received	1,943	5,471
Interest received	18,620	7,648
Interest paid on lease liabilities	(22)	25
Net tax paid	(107,661)	(71,136)
Net cash from operating activities	<u>774,082</u>	<u>74,623</u>
Investing Activities		
Additions to inventories - land held for property development	(170,408)	(129,159)
Additions to property, plant and equipment	(28,414)	(33,888)
Additions to investment properties	(4,859)	(1,322)
Proceeds from disposal of property, plant and equipment	268	314
Proceeds from disposal of investment properties	-	7,676
Acquisition of additional shares in joint ventures	-	(215,452)
Proceeds from repatriation of capital from joint ventures	43,491	-
Repayment from an associated company	630	275
Repayment from/(Advances to) joint ventures	3,315	(3,347)
(Placement)/Withdrawal of sinking fund, debt service reserve, escrow accounts and short-term deposits	(6,145)	1,892
Dividends received from associated companies	7,765	20,420
Interest received	10,643	12,218
Rental received	27,920	19,497
Net cash used in investing activities	<u>(115,794)</u>	<u>(320,876)</u>
Financing Activities		
Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS	-	103
Proceeds from issuance of Sukuk Wakalah	1,000,000	1,200,000
Drawdown of bank borrowings	1,503,995	822,736
Repayment of bank borrowings	(2,343,504)	(1,778,670)
Repayment of lease liabilities	(486)	(751)
Interest paid	(275,694)	(179,161)
Payment of transaction cost on borrowings	-	(2,916)
Redeemable cumulative preference share dividends paid to non-controlling interests	(684)	(684)
Dividends paid to non-controlling interests	(543)	(19,057)
Dividends paid	(59,910)	(26,443)
RCPS-i A preferential dividends paid	(35,327)	(35,327)
RCPS-i B preferential dividends paid	-	(30,694)
RCPS-i C preferential dividends paid	(5,310)	-
Net cash used in financing activities	<u>(217,463)</u>	<u>(50,864)</u>

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 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023
(The figures have not been audited)

	6 MONTHS ENDED	
	30/06/2023	30/06/2022
	RM'000	RM'000
Net changes in cash and cash equivalents	440,825	(297,117)
Effect of exchange rate changes	31,730	4,727
Cash and cash equivalents at beginning of the period	2,459,338	2,941,620
Cash and cash equivalents at end of the period	<u>2,931,893</u>	<u>2,649,230</u>
Cash and cash equivalents comprise the following:		
Short-term deposits	886,839	956,237
Cash and bank balances	2,249,658	1,791,278
Bank overdrafts	(24,890)	-
	<u>3,111,607</u>	<u>2,747,515</u>
Less: Amount restricted in sinking fund, debt service reserve, escrow accounts and short-term deposits	(179,714)	(98,285)
	<u>2,931,893</u>	<u>2,649,230</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes in this report.)

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report is unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 December 2022 except for the adoption of the following MFRS and amendments to MFRSs:

Amendments to MFRS 17	Insurance Contracts (Amendments to MFRS 17) Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17)
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates

The adoption of the above amendments to MFRSs do not have significant financial impact to the Group in this interim financial period.

MFRS 9 Financial Instruments – Hedge Accounting

The Group has used foreign currency borrowings to hedge foreign currency risk on certain investments in foreign operation.

Effective 1 January 2023, the Group had prospectively applied MFRS 9 Financial Instruments – Hedge Accounting in respect of relevant foreign operation. The accounting policy applicable when net investment hedge is applied is as follows:

In transaction where hedge accounting is applied, gain or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operations, the cumulative value of any such gain or losses recorded in equity is transferred to the statement of profit or loss.

There is no change in the accounting treatment on the foreign currency translation on the net investment, which is recorded in other comprehensive income and deferred in the foreign currency translation reserve until it is disposed.

2. Seasonal or Cyclical Factors

The business operations of the Group during the financial period under review have not been materially affected by any seasonal or cyclical factors.

3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items for the financial period ended 30 June 2023.

4. Material Changes in Estimates

There were no material changes in estimates for the financial period ended 30 June 2023.

5. Debts and Equity Securities

Save for the following, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period-to-date:

- (a) Allotment of 4,781,049 new ordinary shares pursuant to the vesting of Employee Share Grant Plan (“ESGP”) at the price of RM0.61 per share; and
- (b) Issuance of the following tranches of Sukuk Wakalah from the Islamic Medium Term Notes Programme with the programme limit of up to RM3.0 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar (“Sukuk Wakalah Programme”):

Tranche	Issuance Date	Amount (RM Million)	Tenure	Periodic Distribution Rate (p.a.)
6	23 June 2023	150.0	3 Years	4.30%
7	23 June 2023	450.0	5 Years	4.41%
8	23 June 2023	400.0	7 Years	4.56%

6. Dividends Paid

a) Dividend in respect of the financial year ended 31 December 2022

A single-tier dividend, in respect of the financial year ended 31 December 2022 of 1.47 sen per ordinary share amounting to RM59,909,656 was paid in cash on 20 April 2023.

b) Islamic Redeemable Convertible Preference Shares (“RCPS-i A”) preferential dividend in respect of the financial period from 1 July 2022 to 31 December 2022

A semi-annual RCPS-i A preferential dividend of RM35,326,945, in respect of the financial period from 1 July 2022 to 31 December 2022 was declared on 28 February 2023 and paid in cash on 20 April 2023.

c) Islamic Redeemable Convertible Preference Shares (“RCPS-i C”) preferential dividend in respect of the financial period from 24 November 2022 to 31 December 2022

A semi-annual RCPS-i C preferential dividend of RM5,309,870 in respect of the financial period from 24 November 2022 to 31 December 2022 was declared on 28 February 2023 and paid in cash on 20 April 2023.

7. Segmental Reporting

The segmental analysis for the financial period ended 30 June 2023 is as follows:

	Property Development RM'000	Construction RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
External revenue	1,766,426	8,643	135,313	-	1,910,382
Inter-segment revenue	81,482	40,636	12,738	(134,856)	-
Total revenue	1,847,908	49,279	148,051	(134,856)	1,910,382
Gross profit/(loss)	566,108	(10,038)	21,834	-	577,904
Other income	105,533	1,043	5,685	-	112,261
Operating expenses	(222,803)	(4,173)	(17,194)	-	(244,170)
Share of results of joint ventures	(46,913)	-	352	-	(46,561)
Share of results of associated companies	7,080	-	-	-	7,080
Finance costs	(150,118)	(43)	(20,321)	-	(170,482)
Profit/(Loss) before tax	258,887	(13,211)	(9,644)	-	236,032
Taxation					(114,981)
Profit for the period					121,051

8. Material Events Subsequent to the End of Financial Period

There were no material transactions or events subsequent to the financial period ended 30 June 2023 until 9 August 2023 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report).

9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period ended 30 June 2023.

10. Contingent Liabilities

There were no contingent liabilities in respect of the Group for the financial period ended 30 June 2023.

11. Capital Commitments

	As at 30 June 2023 RM'000
<i>Commitments of subsidiary companies:</i>	
Contractual commitments for construction of investment properties	11,953
Contractual commitments for construction and acquisition of property, plant and equipment	11,439
<i>Share of commitments of joint ventures:</i>	
Contractual commitments for acquisition of development land	137,118
Contractual commitments for construction of property, plant and equipment	476
	476

12. Significant Related Party Transactions

	1 January 2023 To 30 June 2023 RM'000
<i>Transactions with joint ventures:</i>	
(i) Management fee received and receivable	480
(ii) Event and marketing fee received and receivable	38
(iii) Staff secondment fee received and receivable	171
(iv) Interest received and receivable	3,306
(v) Contractor claim received or receivable	1,754
	1,754
<i>Transactions with associated companies:</i>	
(i) Dividend received and receivable	7,765
	7,765
<i>Transactions with directors of the Company and subsidiary companies:</i>	
(i) Sale of development property to a director of the company	1,458
(ii) Sale of development properties to directors of the subsidiary companies	3,439
	3,439

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**

1. Review of Group Performance

The performance of the respective operating business segments for the current quarter (“Q2”) and financial period-to-date are analysed as follows:

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	RM’000	RM’000	RM’000	RM’000
Revenue				
Property Development	870,657	969,283	1,766,426	1,791,419
Construction	4,252	3,800	8,643	7,667
Other Operations	67,808	45,363	135,313	86,457
	<u>942,717</u>	<u>1,018,446</u>	<u>1,910,382</u>	<u>1,885,543</u>
Profit before tax (“PBT”)				
Property Development	128,464	143,044	258,887	264,424
Construction	(6,147)	(1,346)	(13,211)	(3,533)
Other Operations	(2,240)	(6,551)	(9,644)	(7,538)
	<u>120,077</u>	<u>135,147</u>	<u>236,032</u>	<u>253,353</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q2 2023 vs Q2 2022)

Property Development

The Group’s property development segment achieved revenue of RM870.7 million and PBT of RM128.5 million in Q2 2023. Revenue and PBT for the current quarter are slightly lower than the corresponding quarter of the preceding year due to lower contributions from Singapore and Central region as well as higher financing cost from hikes in interest rate, unfavourable foreign exchange movement and higher share of losses from joint ventures.

Under construction and completed projects which contributed to the results include *Setia Alam*, *Setia Eco Park*, *Precinct Arundina*, *Setia AlamImpian* and *Temasya Glenmarie* in Shah Alam, *Setia EcoHill*, *Setia EcoHill 2* and *Setia Mayuri* in Semenyih, *Setia Eco Glades* and *Setia Safiro* in Cyberjaya, *Setia Eco Templer* in Rawang, *Setia Warisan Tropika* in Sepang, *Setia Alamsari North and South* in Bangi, *Bandar Kinrara* in Puchong, *Setia Bayuemas* and *Trio by Setia* in Klang, *Setia Sky Seputeh* in Seputeh, *KL Eco City* at Jalan Bangsar, *Bukit Indah*, *Setia Indah*, *Setia Tropika*, *Setia Eco Cascadia*, *Setia Business Park I & II*, *Setia Eco Gardens*, *Setia Sky 88*, *Taman Rinting*, *Taman Pelangi*, *Taman Pelangi Indah* and *Taman Industri Jaya* in Johor, *Setia Sky Vista*, *Setia V Residences*, *Setia Sky Ville*, *Setia Greens* and *Setia Fontaines* in Penang and *UNO Melbourne* and *Sapphire by the Gardens* in Australia.

1. Review of Group Performance (continued)

(a) Performance of the current quarter against the same quarter in the preceding year (Q2 2023 vs Q2 2022) (continued)

Construction

The Group's construction arm largely provides intercompany construction services to certain property development companies in the Group. Revenue from these intercompany services is eliminated on consolidation. Additionally, revenue from construction segment is also derived from supply of ready-mix concrete to some external contractors who serve the property development arm of the Group.

The Group's construction segment achieved revenue of RM4.3 million and loss before tax of RM6.1 million in Q2 2023. The loss before tax was attributable to irrecoverable costs incurred on some intercompany construction jobs.

Other Operations

Revenue from other operations include wood-based manufacturing, trading activities and the operation of investment properties such as office towers, retail malls, convention centres and hotels.

(b) Performance of the six (6) months ended 30 June 2023 vs six (6) months ended 30 June 2022

Property Development

The Group's revenue and PBT from the property development segment are RM1.77 billion and RM258.9 million respectively, marginally lower than the corresponding period in the preceding year mainly due to lower revenue contributions from Malaysia and Singapore as well as higher financing cost from hikes in interest rate, unfavourable foreign exchange movement and higher share of losses from joint ventures.

Construction

The Group's construction arm largely provides intercompany construction services to the Group's property development companies. Revenue from these intercompany services are eliminated at consolidation. Besides, revenue from construction segment also derived from supply of readymix concrete to the external contractors that serve the property development arm of the Group.

The Group's construction segment recorded revenue of RM8.6 million and loss before tax of RM13.2 million in six (6) months ended 30 June 2023 resulted from additional costs incurred on the intercompany construction jobs.

Other Operations

Revenue from other operations are mainly contributed by wood-based manufacturing, trading activities, and the operation of investment properties such as office towers, retail malls and convention centres.

2. Material Changes in the Quarterly Results (“Q2 2023”) compared to the results of the Preceding Quarter (“Q1 2023”)

The Group’s PBT for Q2 2023 of RM120.1 million is higher than the preceding quarter of RM116.0 million. This is mainly due to some cost savings realised from certain completed projects.

3. Prospects for the Current Financial Year

For the six months ended 30 June 2023, the Group secured total sales of RM2.56 billion. Local projects contributed RM2.19 billion or approximately 86% of the sales whilst the remaining RM369.0 million or approximately 14% were contributed largely from international sales. On the local front, sales were mainly from the Central region with RM1.49 billion, supported by RM589.0 million contribution from the Southern region while Northern region contributed another RM74.0 million. Included in the total sales secured were completed inventories sold during the period of RM498.0 million. On top of that, the Group has secured total bookings of RM470.0 million as at 30 June 2023. With the strong bookings in the pipeline, the key focus is to convert these bookings into sales in a timely manner.

The Group’s effort to monetise non-strategic land and divest non-core asset continues. In June and July 2023, the Group announced the disposals of 500 acres of land in Selangor and another eight parcels of land measuring 959.7 acres in Tebrau, Johor for a consideration of RM392 million and RM548 million respectively. The income generated from the disposals of land will help in reducing the gearing level and improving the Group’s financial position. The Group continues to pursue future growth opportunities amidst the challenging interest rate environment.

A total Gross Development Value (“GDV”) of RM771.6 million landed properties comprising double storey terrace, semi-detached homes and retail were launched in Q2FY2023 whereby there was a full take up rate in established and mature township such as Setia AlamImpian and Bandar Kinrara.

The Group had also introduced its latest sustainability and innovation-led initiative, Setia i-Home, launched in June 2023. This initiative marks another milestone in the Group's unwavering dedication to environmental sustainability. Setia i-Home showcases a range of advanced features such as a smart home system, green switch, electric vehicle (“EV”) switch, and rainwater harvesting systems, designed to promote energy efficiency and reduce environmental footprint. Furthermore, these homes are constructed using industrialised building system, enabling faster and more efficient construction while minimising waste.

With 44 ongoing projects and unbilled sales totalling RM6.82 billion as at 30 June 2023, there is earnings visibility in the short to mid-term. Therefore, and notwithstanding a global growth outlook weighed down by persistent inflation and higher interest rates, the Group is optimistic of achieving an overall satisfactory performance for the financial year 2023.

The Group presently has an effective remaining land bank of 6,870 acres with a total GDV of RM125.77 billion as at 30 June 2023.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	RM'000	RM'000	RM'000	RM'000
Taxation				
- current taxation	65,903	51,642	119,034	78,479
- deferred taxation	(3,945)	(21,493)	(4,053)	(9,440)
	61,958	30,149	114,981	69,039

The Group's effective tax rate (excluding share of results of joint ventures and associated companies) for the financial period is higher than the statutory tax rate mainly due to certain non-tax deductible expenses and non-recognition of deferred tax assets arising from certain loss making entities.

6. Status of Corporate Proposals

The following corporate proposals as announced by the Company have not been completed as at 9 August 2023 (being the latest practicable date which is not earlier than 7 days from the announcement date of this Interim Financial Report):

- (a) On 19 June 2023, the Company's indirect wholly-owned subsidiary, Petaling Garden Sdn Bhd entered into three (3) inter-conditional sale and purchase agreements ("SPAs") with the following three (3) wholly-owned subsidiaries of Mah Sing Group Berhad to dispose approximately 500 acres of freehold land situated in Mukim Beranang, Daerah Ulu Langat, Selangor for a sale consideration of RM392,040,000.00:
- a. Mestika Bistari Sdn Bhd to dispose approximately 110 acres of land forming part of Lot 41 Land held under GRN 46222;
 - b. Grand Prestige Development Sdn Bhd to dispose approximately 93 acres of land forming part of Lot 41 Land held under GRN 46222; and
 - c. Elite Park Development Sdn Bhd to dispose approximately 237 acres of land forming part of Lot 41 Land held under GRN 46222 and the entire land of Lot 1807 Land measuring approximately 60 acres in area.

The completion of the SPAs are pending fulfilment of the conditions precedent of the SPAs. The estimated timeframe for completion will be by the 2nd quarter of 2024.

- (b) On 5 July 2023, the Company announced that Pelangi Sdn Bhd ("PSB"), its indirect wholly-owned subsidiary, entered into a conditional sale and purchase agreement ("SPA") with Scientex Lestari Sdn Bhd ("Scientex Lestari") to dispose eight (8) parcels of freehold land measuring approximately 959.7 acres, all situated in Mukim of Tebrau, District of Johor Bahru for a sale consideration of RM547,651,353.00.

The completion of the SPA is pending the fulfilment of the conditions precedent of the SPA. The estimated timeframe for the completion will be by the 2nd quarter of 2024.

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 June 2023 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowings - Islamic	586,958	926,211	1,513,169
Short-term borrowings - Conventional	995,245	895,506	1,890,751
Long-term borrowings - Islamic	1,825,768	4,022,981	5,848,749
Long-term borrowings - Conventional	1,499,967	998,395	2,498,362
Redeemable cumulative preference shares	-	37,845	37,845
	4,907,938	6,880,938	11,788,876

Currency exposure profile of group borrowings and debt securities were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Malaysian Ringgit	4,019,417	5,052,587	9,072,004
Great British Pound	-	1,325,928	1,325,928
Australian Dollar	853,362	464,991	1,318,353
United States Dollar	-	37,432	37,432
Japanese Yen	35,159	-	35,159
	4,907,938	6,880,938	11,788,876

8. Material Litigation

The Group was not engaged in any material litigation as at 9 August 2023 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report).

9. Dividends Declared

- (a) On 16 August 2023, the Board of Directors has declared preferential dividends in respect of the financial period from 1 January 2023 to 30 June 2023, for the RCPS-i A and RCPS-i C.
- (i) Preferential dividend rate
- RCPS-i A : 6.49% per annum
 - RCPS-i C : 5.43% per annum
- (ii) Previous corresponding financial period
- RCPS-i A : 6.49% per annum
 - RCPS-i B : 5.93% per annum
- (iii) Date payable : To be determined later
- (iv) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at a date to be determined later.
- (b) No interim dividend has been declared in respect of ordinary share for the financial period ended 30 June 2023.

10. Earnings Per Share Attributable To Owners of The Company

Basic Earnings Per Share

The basic earnings per share for the period is calculated by dividing the Group's profit attributable to owners of the Company adjusted for the effects of RCPS-i A, RCPS-i B and RCPS-i C preferential dividends declared during the period, divided by the weighted average number of shares in issue, as follows:

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	43,064	80,093	98,513	147,588
- RCPS-i A preferential dividends (RM)	-	-	(35,327)	(35,327)
- RCPS-i B preferential dividends (RM)	-	-	-	(30,694)
- RCPS-i C preferential dividends (RM)	-	-	(5,310)	-
Adjusted profit attributable to owners of the Company (RM)	<u>43,064</u>	<u>80,093</u>	<u>57,876</u>	<u>81,567</u>
Number of ordinary shares at beginning of the period	4,075,488	4,067,978	4,075,488	4,067,978
Weighted average effect of shares issued pursuant to:				
- Vesting of ESGP	4,203	-	2,113	-
- Exercise of ESOS	-	173	-	87
Number of ordinary shares in issue	<u>4,079,691</u>	<u>4,068,151</u>	<u>4,077,601</u>	<u>4,068,065</u>
Basic earnings per share (sen)	<u>1.06</u>	<u>1.97</u>	<u>1.42</u>	<u>2.01</u>

Diluted Earnings Per Share

The diluted earnings per share for the period is calculated by dividing the Group's profit attributable to owners of the Company adjusted for the effects of RCPS-i A, RCPS-i B and RCPS-i C preferential dividends declared during the period, divided by the weighted average number of shares that would have been in issue upon full exercise of the remaining options under the LTIP granted, as follows:

10. Earnings Per Share Attributable To Owners of The Company (continued)

Diluted Earnings Per Share (continued)

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	43,064	80,093	98,513	147,588
- RCPS-i A preferential dividends (RM)	-	-	(35,327)	(35,327)
- RCPS-i B preferential dividends (RM)	-	-	-	(30,694)
- RCPS-i C preferential dividends (RM)	-	-	(5,310)	-
Adjusted profit attributable to owners of the Company (RM)	<u>43,064</u>	<u>80,093</u>	<u>57,876</u>	<u>81,567</u>
Weighted average number of ordinary shares as per Basic Earnings Per Share	4,079,691	4,068,151	4,077,601	4,068,065
Effect of potential exercise of LTIP	-	5,739	-	6,200
Weighted average number of ordinary shares	<u>4,079,691</u>	<u>4,073,890</u>	<u>4,077,601</u>	<u>4,074,265</u>
Diluted earnings per share (sen)	<u>1.06</u>	<u>1.97</u>	<u>1.42</u>	<u>2.00</u>

The effects of conversion of RCPS-i A, RCPS-i B and RCPS-i C have not been included in the computation of the dilutive earnings per share of the Group as they do not have a dilutive effect.

11. Notes to the Statement of Comprehensive Income

	3 MONTHS ENDED	6 MONTHS ENDED
	30/6/2023	30/6/2023
	RM'000	RM'000
Interest income	22,933	41,648
Other income including investment income	38,183	69,749
Interest expense	(94,095)	(170,482)
Depreciation and amortisation	(9,611)	(19,411)
Provision of doubtful debts for trade and other receivables	(143)	(156)
Reversal of write-down in value completed inventories	-	-
Gain on disposal of quoted or unquoted investments or properties	53	248
Write off of property, plant and equipment	(158)	(166)
Fair value gain on investment properties	-	9
Net foreign exchange gain	(17,154)	(12,204)
Gain or loss on derivatives	-	-
Exceptional items	-	-

12. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the financial year ended 31 December 2022 was unqualified.