

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

Interim Financial Report
30 June 2019

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(Incorporated in Malaysia)

Interim Financial Report - 30 June 2019

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S P SETIA BERHAD
 (Company No: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019
(The figures have not been audited)

	(UNAUDITED)	(AUDITED)
	30/06/2019	31/12/2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	603,328	524,328
Right-of-use - property, plant and equipment	3,427	-
Investment properties	1,979,441	2,059,406
Right-of-use - investment properties	82,449	-
Inventories - land held for property development	12,615,725	12,720,220
Intangible asset	14,441	14,793
Investments in associated companies	554,324	540,648
Investments in joint ventures	2,907,425	2,736,896
Other investments	96	96
Other receivables, deposits and prepayments	-	76,954
Deferred tax assets	254,377	240,052
	<u>19,015,033</u>	<u>18,913,393</u>
Current assets		
Trade receivables	1,007,824	840,931
Contract assets	1,152,362	1,065,152
Other receivables, deposits and prepayments	340,047	327,852
Inventories - property development costs	3,548,684	3,418,097
Inventories - completed properties and others	1,400,072	1,586,946
Amounts owing by joint ventures	162,140	167,717
Amounts owing by associated companies	479	450
Amounts owing by related companies	-	811
Current tax assets	124,883	131,991
Short-term funds	1,789,727	1,082,940
Short-term deposits	283,879	402,552
Cash and bank balances	1,147,485	1,398,060
	<u>10,957,582</u>	<u>10,423,499</u>
TOTAL ASSETS	<u>29,972,615</u>	<u>29,336,892</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8,402,901	8,252,253
Share capital - RCPS-i A	1,087,363	1,087,363
Share capital - RCPS-i B	1,035,304	1,044,753
Reserves		
Share-based payment reserve	180,228	140,987
Reserve on acquisition arising from common control	(1,295,884)	(1,295,884)
Exchange translation reserve	(53,148)	(50,058)
Retained earnings	4,908,207	4,964,351
Equity attributable to owners of the Company	<u>14,264,971</u>	<u>14,143,765</u>
Non-controlling interests	1,409,036	1,376,263
Total equity	<u>15,674,007</u>	<u>15,520,028</u>
LIABILITIES		
Non-current liabilities		
Redeemable cumulative preference shares	70,354	69,292
Other payables and accruals	38,020	35,534
Long-term borrowings	8,916,602	7,947,130
Deferred tax liabilities	475,033	470,829
	<u>9,500,009</u>	<u>8,522,785</u>
Current liabilities		
Trade payables	1,546,770	1,747,302
Contract liabilities	70,075	28,071
Other payables and accruals	634,808	973,361
Short-term borrowings	2,504,628	2,517,735
Current tax liabilities	42,074	26,267
Amounts owing to related companies	244	1,343
	<u>4,798,599</u>	<u>5,294,079</u>
Total liabilities	<u>14,298,608</u>	<u>13,816,864</u>
TOTAL EQUITY AND LIABILITIES	<u>29,972,615</u>	<u>29,336,892</u>
Net assets per share attributable to owners of the Company	<u>3.01</u>	<u>3.03</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 2018 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
 (Company No.: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019
(The figures have not been audited)

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Revenue	1,335,730	925,970	2,200,637	1,581,472
Cost of sales	(1,061,956)	(605,258)	(1,681,146)	(1,061,587)
Gross profit	<u>273,774</u>	<u>320,712</u>	<u>519,491</u>	<u>519,885</u>
Other income	51,330	434,575	98,742	501,295
Selling and marketing expenses	(17,107)	(23,519)	(37,687)	(41,123)
Administrative and general expenses	(43,711)	(121,233)	(132,395)	(213,203)
Share of results of joint ventures	(8,489)	(6,409)	(16,539)	(20,148)
Share of results of associated companies	9,035	11,039	15,560	15,866
Finance costs	(61,174)	(80,137)	(117,436)	(133,148)
Profit before tax	<u>203,658</u>	<u>535,028</u>	<u>329,736</u>	<u>629,424</u>
Taxation	(53,568)	(43,791)	(101,964)	(57,743)
Profit for the period	<u>150,090</u>	<u>491,237</u>	<u>227,772</u>	<u>571,681</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	(41,003)	(47,572)	(3,090)	(148,675)
Total comprehensive income for the period	<u>109,087</u>	<u>443,665</u>	<u>224,682</u>	<u>423,006</u>
Profit attributable to:				
Holders of Perpetual bond	-	9,034	-	17,969
Non-controlling interests	11,364	39,463	36,218	49,486
	<u>11,364</u>	<u>48,497</u>	<u>36,218</u>	<u>67,455</u>
Owners of the Company	138,726	442,740	191,554	504,226
	<u>150,090</u>	<u>491,237</u>	<u>227,772</u>	<u>571,681</u>
Total comprehensive income attributable to:				
Holders of Perpetual bond	-	9,034	-	17,969
Non-controlling interests	11,377	39,513	36,218	49,465
	<u>11,377</u>	<u>48,547</u>	<u>36,218</u>	<u>67,434</u>
Owners of the Company	97,710	395,118	188,464	355,572
	<u>109,087</u>	<u>443,665</u>	<u>224,682</u>	<u>423,006</u>
Earnings per share attributable to equity holders of the Company				
- Basic earnings per share (sen)	<u>1.81</u>	<u>10.54</u>	<u>3.14</u>	<u>12.54</u>
- Diluted earnings per share (sen)	<u>1.56</u>	<u>9.04</u>	<u>2.72</u>	<u>10.68</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 2018 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
(Company No.: 19698-X)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019
(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- 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 01.01.2019	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
Cumulative effect of initial application of MFRS 16	-	-	-	-	-	-	(1,163)	(1,163)	-	-	(1,163)
Balance at 01.01.2019 (restated)	8,252,253	1,087,363	1,044,753	140,987	(1,295,884)	(50,058)	4,963,188	14,142,602	-	1,376,263	15,518,865
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	(3,090)	-	(3,090)	-	-	(3,090)
Profit for the period	-	-	-	-	-	-	191,554	191,554	-	36,218	227,772
Transactions with owners:											
Issuance of ordinary shares											
- Dividend Reinvestment Plan ("DRP")	141,331	-	-	-	-	-	-	141,331	-	-	141,331
Conversion of RCPS-i B into ordinary shares	9,449	-	(9,449)	-	-	-	-	-	-	-	-
Share issuance expenses	(132)	-	-	-	-	-	-	(132)	-	-	(132)
RCPS-i A preferential dividends paid	-	-	-	-	-	-	(35,327)	(35,327)	-	-	(35,327)
RCPS-i B preferential dividends paid	-	-	-	-	-	-	(30,977)	(30,977)	-	-	(30,977)
Dividends paid	-	-	-	-	-	-	(180,231)	(180,231)	-	(3,445)	(183,676)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	39,241	-	-	-	39,241	-	-	39,241
Balance at 30.06.2019	8,402,901	1,087,363	1,035,304	180,228	(1,295,884)	(53,148)	4,908,207	14,264,971	-	1,409,036	15,674,007
Balance at 01.01.2018	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 period represented by exchange differences on translation of foreign operations	-	-	-	-	-	(148,654)	-	(148,654)	-	(21)	(148,675)
Profit for the period	-	-	-	-	-	-	504,226	504,226	-	49,486	553,712
Distribution for the period	-	-	-	-	-	-	-	-	17,969	-	17,969
Distribution paid	-	-	-	-	-	-	-	-	(18,068)	-	(18,068)
Transactions with owners:											
Issuance of ordinary shares											
- New placement	997,750	-	-	-	-	-	-	997,750	-	-	997,750
- Dividend Reinvestment Plan ("DRP")	376,819	-	-	-	-	-	-	376,819	-	-	376,819
- Exercise of Employees' Share Options Scheme ("ESOS")	3,449	-	-	(716)	-	-	-	2,733	-	-	2,733
Conversion of RCPS-i A into ordinary shares	4,627	(4,627)	-	-	-	-	-	-	-	-	-
Conversion of RCPS-i B into ordinary shares	2,380	-	(2,380)	-	-	-	-	-	-	-	-
Share issuance expenses	(11,700)	-	-	-	-	-	-	(11,700)	-	-	(11,700)
RCPS-i A preferential dividends paid	-	-	-	-	-	-	(36,215)	(36,215)	-	-	(36,215)
Dividends paid	-	-	-	-	-	-	(431,856)	(431,856)	-	(1,780)	(433,636)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	74,330	-	-	-	74,330	-	-	74,330
Balance at 30.06.2018 (restated)	8,067,296	1,114,715	1,062,228	168,064	(1,295,884)	(11,738)	5,021,399	14,126,080	610,688	1,341,578	16,078,346

(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 2018 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
 (Company No.: 19698-X)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019
(The figures have not been audited)

	6 MONTHS ENDED	
	30/06/2019	30/06/2018
	RM'000	RM'000
		Restated
Operating Activities		
Profit before tax	329,736	629,424
Adjustments for:-		
Non-cash items	47,594	(305,623)
Non-operating items	48,402	44,694
Operating profit before changes in working capital	<u>425,732</u>	<u>368,495</u>
Changes in inventories - property development costs	(100,036)	(202,295)
Changes in inventories - completed properties and others	205,868	261,519
Changes in contract assets/liabilities	(33,565)	(163,021)
Changes in receivables	253,098	223,058
Changes in payables	(313,628)	(158,066)
Cash generated from operations	<u>437,469</u>	<u>329,690</u>
Rental received	13,416	7,010
Interest received	26,353	33,288
Net tax paid	(89,095)	(126,025)
Net cash generated from operating activities	<u>388,143</u>	<u>243,963</u>
Investing Activities		
Additions to inventories - land held for property development	(312,833)	(331,878)
Deposits and part consideration paid for acquisition of land	-	(20,596)
Additions to property, plant and equipment	(40,451)	(52,891)
Additions to investment properties	(7,796)	(95,018)
Proceeds from disposal of property, plant and equipment	150	373
Proceeds from disposal of investment properties	-	18,982
Proceeds from disposal of other investments	-	175
Proceeds from disposal of asset held for sale	-	8,000
Balance consideration paid in relation to acquisition of I & P Group	-	(3,540,500)
Net cash outflow arising from acquisition of remaining stake in Setia Federal Hill Sdn Bhd	-	(418,511)
Acquisition of additional shares in existing joint ventures	(188,705)	(229,311)
Repayment from/(Capital contribution to) a joint venture	55	(72)
Advances to an associated company	(29)	(86)
Repayment from/(Advances to) joint ventures	4,469	(40,634)
Settlement of shareholder advances to a former joint venture partner	-	(94,957)
Placement of sinking fund, debt service reserve, escrow accounts and short-term deposits	(42,415)	(31,642)
Dividends received from associated companies	2,045	1,225
Interest received	19,928	39,435
Rental received	9,285	8,722
Net cash used in investing activities	<u>(556,297)</u>	<u>(4,779,184)</u>

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 (Company No.: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019
(The figures have not been audited)

	6 MONTHS ENDED	
	30/06/2019	30/06/2018
	RM'000	RM'000
		Restated
Financing Activities		
Proceeds from placement of ordinary shares	-	997,750
Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS	-	2,733
Refund of excess application proceeds from rights issue of shares and RCPS-i B	-	(310,412)
Payment of share issuance expenses	(132)	(11,700)
Payment for amount due to non-controlling shareholder for acquisition of land	(125,000)	-
Drawdown of bank borrowings	1,598,405	2,959,857
Repayment of bank borrowings	(720,090)	(592,848)
Repayment of lease liabilities	(457)	-
Perpetual bond distribution paid	-	(18,068)
Interest paid	(253,624)	(228,888)
Redeemable cumulative preference share dividends paid to non-controlling interests	(1,050)	-
Dividends paid to non-controlling interests	(3,445)	(1,780)
Dividends paid	(38,900)	(55,037)
RCPS-i A preferential dividends paid	(35,327)	(36,215)
RCPS-i B preferential dividends paid	(30,977)	-
Net cash from financing activities	<u>389,403</u>	<u>2,705,392</u>
Net changes in cash and cash equivalents	221,249	(1,829,829)
Effect of exchange rate changes	(302)	(17,299)
Cash and cash equivalents at beginning of the period	2,810,055	5,530,063
Cash and cash equivalents at end of the period	<u><u>3,031,002</u></u>	<u><u>3,682,935</u></u>
Cash and cash equivalents comprise the following:		
Short-term funds	1,789,727	1,495,404
Short-term deposits	283,879	501,490
Cash and bank balances	1,147,485	1,761,070
Bank overdrafts	(96,512)	(15,494)
	<u>3,124,579</u>	<u>3,742,470</u>
Less: Amount restricted in sinking fund, debt service reserve, escrow accounts and short-term deposits	(93,577)	(59,535)
	<u><u>3,031,002</u></u>	<u><u>3,682,935</u></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 2018 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 2018.

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 2018 except for the adoption of the following new/revised MFRSs and Amendments to MFRSs:-

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRSs	Annual Improvements to MFRSs (2015 - 2017) Cycle
IC Interpretation 23	Uncertainty over Income Tax Treatments

The adoption of the above MFRSs does not have significant financial impact to the Group except for MFRS 16 *Leases* as disclosed 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).

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.

1. Basis of Preparation (continued)

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has elected to apply MFRS 16 using a modified retrospective approach, whereby the cumulative effect of initial application of MFRS 16 is adjusted to the opening balance of retained earnings at the date of initial application, as shown below:

	RM'000
Retained earnings as at 1 January 2019, as previously restated	4,964,351
Cumulative effect of initial application of MFRS 16	(1,163)
Retained earnings as at 1 January 2019, as restated	<u>4,963,188</u>

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 2019.

4. Material Changes in Estimates

There were no material changes in estimates for the financial period ended 30 June 2019.

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) Conversion from 10,737,664 RCPS-i B to 2,556,585 ordinary shares with the conversion ratio of five (5) new S P Setia Berhad shares for twenty one (21) RCPS-i B held; and
- (b) Issuance of 71,379,352 new ordinary shares pursuant to Dividend Reinvestment Plan ("11th DRP") at the price of RM 1.98 per share.

6. Dividends Paid**a) Final dividend in respect of the financial year ended 31 December 2018**

A single-tier final dividend, in respect of the financial year ended 31 December 2018 of 4.55 sen per ordinary share amounting to RM180,230,944 was declared.

Based on elections made by shareholders, a total of 71,379,352 new ordinary shares were issued pursuant to the Dividend Reinvestment Plan ("11th DRP") and the remaining portion of RM38,899,827 was paid in cash on 30 April 2019.

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6. Dividends Paid (continued)**b) Islamic Redeemable Convertible Preference Shares (“RCPS-i A”) preferential dividend in respect of the financial period from 1 July 2018 to 31 December 2018**

A semi-annually RCPS-i A preferential dividend of RM35,326,945, in respect of the financial period from 1 July 2018 to 31 December 2018, was paid in cash on 5 April 2019.

c) Islamic Redeemable Convertible Preference Shares (“RCPS-i B”) preferential dividend in respect of the financial period from 1 July 2018 to 31 December 2018

A semi-annually RCPS-i B preferential dividend of RM30,976,917, in respect of the financial period from 1 July 2018 to 31 December 2018, was paid in cash on 5 April 2019.

7. Segmental Reporting

The segmental analysis for the financial period ended 30 June 2019 is as follows:-

	Property Development RM'000	Construction RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
External revenue	2,070,763	39,369	90,505	-	2,200,637
Inter-segment revenue	100,908	219,782	25,177	(345,867)	-
Total revenue	2,171,671	259,151	115,682	(345,867)	2,200,637
Gross profit	511,936	714	6,841	-	519,491
Other income	86,060	33	12,649	-	98,742
Operating expenses	(153,981)	(5,891)	(10,210)	-	(170,082)
Share of results of joint ventures	(21,400)	-	4,861	-	(16,539)
Share of results of associated companies	15,560	-	-	-	15,560
Finance costs	(99,755)	(218)	(17,463)	-	(117,436)
Profit/(loss) before tax	338,420	(5,362)	(3,322)	-	329,736
Taxation					(101,964)
Profit for the period					<u>227,772</u>

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 2019 till 7 August 2019 (the latest practicable date which is not earlier than 7 days from the date of issue 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 2019.

10. Contingent Liabilities

The following are the status updates on the contingent liabilities of the Group as at the financial period ended 30 June 2019 till 7 August 2019 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report):

- (a) 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 Lands are used for agricultural purposes.

Notwithstanding the objection from Setia Fontaines, Boustead remitted RM37,207,353.35 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 High Court of Kuala Lumpur 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 RM37,207,353.35 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 and the matter has been fixed for Trial from 1 April 2020 to 3 April 2020.

The matter came up for Case Management on 25 July 2019 whereby Setia Fontaines updated court that it had filed an application for leave to file a judicial review on 19 July 2019 in respect of the decision by the Customs that GST is payable on the transaction. Court fixed the matter for further Case Management on 10 September 2019 for parties to comply with trial directions previously issued and the progress of the leave application for judicial review.

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 Setia Fontaines, the sale of the Lands should be an exempted supply and no GST would be payable by Boustead; and
- (b) in the factual matrix of the present case, the intended use of the Lands by Setia Fontaines 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’ case and Setia Fontaines has a strong arguable case to defend its position in court.

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10. Contingent Liabilities (continued)

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.

11. Capital Commitments

	As at 30 June 2019 RM'000
<i>Commitments of subsidiary companies:-</i>	
Contractual commitments for construction of investment properties	74,213
Contractual commitments for construction of property, plant and equipment	<u>143,585</u>
<i>Share of commitments of joint ventures:-</i>	
Contractual commitments for acquisition of development land	111,123
Contractual commitments for construction of investment properties	<u>69,479</u>

12. Significant Related Party Transactions

	1 Jan 2019 to 30 June 2019 RM'000
<i>Transactions with joint ventures:-</i>	
(i) Management fee received and receivable	870
(ii) Event service fee received and receivable	86
(iii) Rental received and receivable	218
(iv) Rental paid and payable	75
(v) Staff secondment fee received and receivable	251
(vi) Interest received and receivable	2,071

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

1. Review of Group Performance

Revenue and profit before tax (“PBT”) of the respective operating business segments for the current quarter and financial period-to-date are analysed as follows:-

	Q2 2019	Q2 2018	PTD 2019	PTD 2018
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property Development	1,273,172	869,349	2,070,763	1,463,833
Construction	15,742	14,848	39,369	39,385
Other Operations	46,816	41,773	90,505	78,254
	<u>1,335,730</u>	<u>925,970</u>	<u>2,200,637</u>	<u>1,581,472</u>
Profit/(Loss) before tax				
Property Development	214,971	544,473	338,420	629,573
Construction	(4,392)	(6,142)	(5,362)	(6,350)
Other Operations	(6,921)	(3,303)	(3,322)	6,201
	<u>203,658</u>	<u>535,028</u>	<u>329,736</u>	<u>629,424</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q2 2019 vs Q2 2018)

Property Development

The Group’s property development segment achieved revenue of RM1.27 billion and PBT of RM215.0 million in Q2 2019. Q2 2019 revenue increased by 46% from RM869.3 million largely due to sale of former British Embassy Land located in Jalan Ampang, Kuala Lumpur for a sale consideration of RM449.2 million.

Though the sale of British Embassy Land have increased the revenue in Q2 2019, however the PBT of Q2 2019 is lower than the PBT of the same quarter in preceding year as we had a one-off provisional fair value gain of RM343.8 million. The fair value gain arise from the remeasurement of existing equity stake in Setia Federal Hill Sdn Bhd when the Group acquired the remaining stake in Setia Federal Hill Sdn Bhd, which has since become a wholly-owned subsidiary of the Group.

Ongoing and completed projects which contributed to the revenue and profit achieved include *Setia Alam*, *Setia Eco Park*, *Alam Impian* and *Temasya Glenmarie* in Shah Alam, *Setia EcoHill*, *Setia EcoHill 2* and *Setia Mayuri* in Semenyih, *Setia Eco Glades* in Cyberjaya, *Setia Eco Templer* in Rawang, *Alam Sutera* in Bukit Jalil, *Alam Damai* in Cheras, *Setia Alamsari* in Bangi, *Bandar Kinrara* in Puchong, *Kota Bayuemas* and *Trio by Setia* in Klang, *Setia Sky Seputeh* in Seputeh, *Bandar Baru Sri Petaling* in Kuala Lumpur, *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 Pearl Island*, *Setia Sky Vista*, *Setia Pinnacle* and *Setia Sky Ville* in Penang, *Aeropod* in Kota Kinabalu, *Daintree Residence* in Singapore and *Maison Carnegie* in Australia.

1. Review of Group Performance (continued)**(a) Performance of the current quarter against the same quarter in the preceding year (Q2 2019 vs Q2 2018) (continued)****Construction**

Revenue from construction segment mainly derived from supply of readymix concrete as well as construction of apartments at Bangsar.

The construction profit for the above projects is not significant to the Group as they are carried out as part of land and development right exchange arrangement. The Group derives commercial benefits substantially from the development of the land and development right so acquired.

Other Operations

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

Other operations reported a loss for Q2 2019 mainly due to finance costs being expensed off following the completion of construction of investment properties which is in line with MFRS 123 *Borrowing Costs*.

(b) Performance of financial period-to-date, 2019 (“PTD 2019”) vs financial period-to-date, 2018 (“PTD 2018”)**Property Development**

The Group’s property development segment revenue of RM2.07 billion in PTD 2019 is 41% higher than the corresponding period-to-date in the preceding year of RM1.46 billion, mainly due to the sale of former British Embassy Land located in Jalan Ampang as mentioned above.

The Group’s property development segment PBT of RM338.4 million is lower than the PBT for the preceding period-to-date, largely due to there was a one-off provisional fair value gain arising from remeasurement of existing equity stake in Setia Federal Hill Sdn Bhd as mentioned above.

Construction

The construction profit for the above projects is not significant to the Group as they are carried out as part of land and development right exchange arrangement. The Group derives commercial benefits substantially from the development of the land and development right so acquired.

Other Operations

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

Other operations reported a loss for PTD 2019 mainly due to finance costs being expensed off following the completion of construction of investment properties which is in line with MFRS 123 *Borrowing Costs*.

2. Material Changes in the Quarterly Results (“Q2 2019”) compared to the results of the Preceding Quarter (“Q1 2019”)

The Group’s PBT of RM203.7 million for Q2 2019 is higher than the PBT of Q1 2019 of RM126.1 million mainly due to RM35.8 million gain from the sale of former British Embassy Land and foreign exchange difference arising from the translation of certain Pound Sterling denominated loan facilities. In Q2 2019, the Group benefitted from foreign exchange gain of RM35.3 million where in comparison, it reported a translation loss of RM32.1 million in Q1 2019.

3. Prospects for the Current Financial Year

For the first half of FY2019, the Group secured sales of RM1.98 billion. Local projects contributed RM1.71 billion, which represented approximately 87% of the total sales while international projects contributed RM262.6 million or approximately 13% of the total sales. The sales secured were largely from Central region of RM1.19 billion while the Southern and Northern regions combined, contributed RM522.0 million. As for the international projects, *UNO Melbourne* in Australia and *Daintree Residence* in Singapore contributed RM222.0 million of sales. The on-going US-China trade tensions and the protracted negotiation of Brexit in Europe continue to weigh on the global economy while on the local front, the “wait-and-see” attitude lingers on as purchasers are still having reservation on purchasing big ticket items. These have further dampened the soft sentiment and prolonged the subdued property market. Hence, the Group sales target for FY2019 is revised from RM5.65 billion to RM4.55 billion, which is aligned to the present market conditions.

In view of the uncertain macro-economic situation and lacklustre local property market, the Group remains prudent with its project launches and focuses on the right products to cater for the market conditions where approximately RM1.55 billion Gross Development Value (“GDV”) were launched. Several projects, largely comprised of landed properties registered outstanding performance. For example, the launch of *Avis 2*, the 22ft by 80ft double storey terraced homes priced from RM709,000 in *Setia Alamsari* and *Reef of Tropic*, the 20ft by 70ft double storey terraced homes priced from RM774,000 onwards in *Setia Eco Glades* both achieved more than 90% take-up rate during their launches in April 2019. Over in *Setia Alam*, *Artoca*, the 18ft by 65ft double storey terraced homes priced from RM532,000 onwards were fully taken-up on the first day of its launch in June 2019. This *Starter Home* series remains popular especially for first time home purchasers seeking landed homes in established townships. In addition, *Rosario*, the 20ft by 70ft double storey terraced homes at *Setia Safiro* priced from RM739,000 and *Kandara*, the semi-detached homes in *Setia Mayuri* priced from RM864,000 which catered for the mid-range and upgrader purchasers were both 100% taken-up over a weekend during their launches in July 2019.

The Home Ownership Campaign (“HOC”) with its various incentives has been effective in securing the sales of the Group where it encourages purchasers to ultimately buy and own a home. To-date, the Group achieved sales of RM734.2 million through this campaign and with the HOC being extended another six months to 31 December 2019, it will aid the Group in sustaining the sales momentum.

For the second half of FY2019, the Group has revised the total planned launches to RM3.33 billion, focusing in Klang Valley with RM2.32 billion and Johor with RM776 million worth of launches. In Klang Valley, the planned major launches are in *Setia Alam*, *Setia Eco Park*, *Setia Safiro*, *Setia Alamsari*, *Setia Ecohill 1 & 2*, *Setia Warisan Tropika* and *Bandar Kinrara* while in Johor, the planned major launches are in *Setia Tropika*, *Setia Eco Gardens*, *Bukit Indah Johor* and *Taman Industri Jaya*. Over in mainland Penang, *Setia Fontaines* planned to launch approximately RM164 million worth of GDV, comprising mostly landed properties priced from RM330,000 onwards.

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3. Prospects for the Current Financial Year (continued)

Given the versatility of the planned launches in the pipeline as well as the extension of HOC, the Group is confident to achieve the revised sales target of RM4.55 billion. Anchored by 46 ongoing projects with 9,381 acres of effective land banks remaining and potential GDV of RM144.52 billion, prospects going forward remain positive with total unbilled sales of RM10.67 billion as at 30 June 2019.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

	Q2 2019	Q2 2018	PTD 2019	PTD 2018
	RM'000	RM'000	RM'000	RM'000
Taxation				
- current taxation	58,439	46,869	112,015	75,048
- deferred taxation	(4,871)	(3,078)	(10,051)	(17,305)
	<u>53,568</u>	<u>43,791</u>	<u>101,964</u>	<u>57,743</u>

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.

6. Status of Corporate Proposals

There are no corporate proposal that has been announced by the Company which has not completed as at 7 August 2019, the latest practicable date which shall not be earlier than 7 days from the date of issue of this interim financial report.

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7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 June 2019 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Bank Borrowings	1,169,757	1,334,871	2,504,628
Long Term Bank Borrowings	5,171,020	3,745,582	8,916,602
Redeemable Cumulative Preference Shares	-	70,354	70,354
	<u>6,340,777</u>	<u>5,150,807</u>	<u>11,491,584</u>

Currency exposure profile of borrowings is as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Malaysian Ringgit	5,502,627	3,669,725	9,172,352
Great British Pound	-	1,481,082	1,481,082
Singapore Dollar	591,098	-	591,098
Australian Dollar	190,721	-	190,721
Japanese Yen	41,907	-	41,907
United States Dollar	14,424	-	14,424
	<u>6,340,777</u>	<u>5,150,807</u>	<u>11,491,584</u>

8. Material Litigation

Except for the contingent liabilities disclosed above, the Group was not engaged in any material litigation as at 7 August 2019, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

9. Dividends Declared

- (a) The Board of Directors has declared preferential dividends in respect of the financial period from 1 January 2019 to 30 June 2019, for the RCPS-i A and RCPS-i B.
- (i) Preferential dividend rate
 - RCPS-i A : 6.49% per annum
 - RCPS-i B : 5.93% 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 2019.

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10. Earnings Per Share Attributable To Owners of The Company

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

	Q2 2019 '000	Q2 2018 '000	PTD 2019 '000	PTD 2018 '000
Profit for the period attributable to owners of the Company (RM)	138,726	442,740	191,554	504,226
- RCPS-i A preferential dividends (RM)	(35,327)	(36,215)	(35,327)	(36,215)
- RCPS-i B preferential dividends (RM)	(30,977)	-	(30,977)	-
Adjusted profit for the period attributable to equity holders of the Company (RM)	<u>72,422</u>	<u>406,525</u>	<u>125,250</u>	<u>468,011</u>
Number of ordinary shares at beginning of the period	3,958,563	3,755,268	3,958,563	3,427,783
Weighted average effect of shares issued pursuant to:				
- Exercise of ESOS	-	181	-	474
- Conversion of RCPS-i A into ordinary shares	-	-	-	756
- Conversion of RCPS-i B into ordinary shares	2,501	-	1,257	356
- Placement of new ordinary shares	-	-	-	253,177
- Dividend Reinvestment Plan	46,279	100,564	23,267	50,560
Weighted average number of ordinary shares	<u>4,007,343</u>	<u>3,856,013</u>	<u>3,983,087</u>	<u>3,733,106</u>
Basic Earnings Per Share (sen)	<u>1.81</u>	<u>10.54</u>	<u>3.14</u>	<u>12.54</u>

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

The diluted earnings per share has been calculated by dividing the Group's profit for the period attributable to owners of the Company adjusted for the effects of RCPS-i A and RCPS-i B preferential dividends paid for 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, adjusted for the number of such shares that would have been issued at fair value, full conversion of RCPS-i A at the conversion ratio of fifty (50) ordinary shares for one hundred sixty nine (169) RCPS-i A, as well as the full conversion of RCPS-i B at the conversion ratio of five (5) ordinary shares for twenty one (21) RCPS-i B, calculated as follows:

	Q2 2019	Q2 2018	PTD 2019	PTD 2018
	'000	'000	'000	'000
Profit for the period attributable to owners of the Company (RM)	138,726	442,740	191,554	504,226
- RCPS-i A preferential dividends (RM)	(35,327)	(36,215)	(35,327)	(36,215)
- RCPS-i B preferential dividends (RM)	(30,977)	-	(30,977)	-
Adjusted profit for the period attributable to equity holders of the Company (RM)	<u>72,422</u>	<u>406,525</u>	<u>125,250</u>	<u>468,011</u>
Weighted average number of ordinary shares as per basic Earnings Per Share	4,007,343	3,856,013	3,983,087	3,733,106
Effect of potential exercise of LTIP	25,591	24,436	25,722	32,710
Effect of potential conversion of RCPS-i A	322,088	330,180	322,088	330,180
Effect of potential conversion of RCPS-i B	280,115	287,399	280,115	287,399
Weighted average number of ordinary shares	<u>4,635,137</u>	<u>4,498,028</u>	<u>4,611,012</u>	<u>4,383,395</u>
Diluted Earnings Per Share (sen)	<u>1.56</u>	<u>9.04</u>	<u>2.72</u>	<u>10.68</u>

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11. Notes to the Statement of Comprehensive Income

	Q2 2019	PTD 2019
	RM'000	RM'000
Interest income	31,112	56,272
Other income including investment income	16,782	38,974
Interest expense	(61,174)	(117,436)
Depreciation and amortisation	(7,328)	(14,011)
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Net gain on disposal of quoted or unquoted investments or properties	29	89
Impairment of assets	-	-
Fair value gain on investment properties	-	-
Net foreign exchange gain	35,307	3,164
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 2018 was unqualified.