

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

Interim Financial Report
30 September 2019

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Interim Financial Report - 30 September 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 SEPTEMBER 2019
(The figures have not been audited)

	(UNAUDITED)	(AUDITED)
	30/09/2019	31/12/2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	612,043	524,328
Right-of-use - property, plant and equipment	3,139	-
Investment properties	1,991,003	2,059,406
Right-of-use - investment properties	79,151	-
Inventories - land held for property development	12,658,949	12,720,220
Intangible asset	14,265	14,793
Investments in associated companies	554,838	540,648
Investments in joint ventures	2,851,083	2,736,896
Other investments	96	96
Other receivables, deposits and prepayments	-	76,954
Deferred tax assets	283,347	240,052
	<u>19,047,914</u>	<u>18,913,393</u>
Current assets		
Trade receivables	945,322	840,931
Contract assets	1,031,845	1,065,152
Other receivables, deposits and prepayments	296,387	327,852
Inventories - property development costs	3,566,254	3,418,097
Inventories - completed properties and others	1,466,139	1,586,946
Amounts owing by joint ventures	159,723	167,717
Amounts owing by associated companies	576	450
Amounts owing by related companies	-	811
Current tax assets	47,700	131,991
Short-term funds	1,850,602	1,082,940
Short-term deposits	218,761	402,552
Cash and bank balances	1,167,615	1,398,060
	<u>10,750,924</u>	<u>10,423,499</u>
TOTAL ASSETS	<u>29,798,838</u>	<u>29,336,892</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8,432,321	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	157,877	140,987
Reserve on acquisition arising from common control	(1,295,884)	(1,295,884)
Exchange translation reserve	(141,246)	(50,058)
Retained earnings	4,951,109	4,964,351
Equity attributable to owners of the Company	<u>14,226,844</u>	<u>14,143,765</u>
Non-controlling interests	1,431,677	1,376,263
Total equity	<u>15,658,521</u>	<u>15,520,028</u>
LIABILITIES		
Non-current liabilities		
Redeemable cumulative preference shares	69,607	69,292
Other payables and accruals	37,784	35,534
Long-term borrowings	8,589,119	7,947,130
Deferred tax liabilities	480,875	470,829
	<u>9,177,385</u>	<u>8,522,785</u>
Current liabilities		
Trade payables	1,522,623	1,747,302
Contract liabilities	106,047	28,071
Other payables and accruals	648,747	973,361
Short-term borrowings	2,610,748	2,517,735
Current tax liabilities	74,523	26,267
Amounts owing to related companies	244	1,343
	<u>4,962,932</u>	<u>5,294,079</u>
Total liabilities	<u>14,140,317</u>	<u>13,816,864</u>
TOTAL EQUITY AND LIABILITIES	<u>29,798,838</u>	<u>29,336,892</u>
Net assets per share attributable to owners of the Company	<u>2.99</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 SEPTEMBER 2019
(The figures have not been audited)

	3 MONTHS ENDED		9 MONTHS ENDED	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Revenue	932,068	993,002	3,132,705	2,574,474
Cost of sales	(678,835)	(712,819)	(2,359,981)	(1,774,406)
Gross profit	<u>253,233</u>	<u>280,183</u>	<u>772,724</u>	<u>800,068</u>
Other income	92,691	26,821	191,433	528,116
Selling and marketing expenses	(18,702)	(27,532)	(56,389)	(68,655)
Administrative and general expenses	(85,382)	(47,278)	(217,777)	(260,481)
Share of results of joint ventures	(6,465)	(12,288)	(23,004)	(32,436)
Share of results of associated companies	3,559	3,486	19,119	19,352
Finance costs	(59,825)	(66,397)	(177,261)	(199,545)
Profit before tax	<u>179,109</u>	<u>156,995</u>	<u>508,845</u>	<u>786,419</u>
Taxation	(39,571)	(58,553)	(141,535)	(116,296)
Profit for the period	<u>139,538</u>	<u>98,442</u>	<u>367,310</u>	<u>670,123</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	(88,086)	51,558	(91,176)	(97,117)
Total comprehensive income for the period	<u>51,452</u>	<u>150,000</u>	<u>276,134</u>	<u>573,006</u>
Profit attributable to:				
Holders of Perpetual bond	-	9,133	-	27,102
Non-controlling interests	30,612	24,122	66,830	73,608
	<u>30,612</u>	<u>33,255</u>	<u>66,830</u>	<u>100,710</u>
Owners of the Company	108,926	65,187	300,480	569,413
	<u>139,538</u>	<u>98,442</u>	<u>367,310</u>	<u>670,123</u>
Total comprehensive income attributable to:				
Holders of Perpetual bond	-	9,133	-	27,102
Non-controlling interests	30,624	24,129	66,842	73,594
	<u>30,624</u>	<u>33,262</u>	<u>66,842</u>	<u>100,696</u>
Owners of the Company	20,828	116,738	209,292	472,310
	<u>51,452</u>	<u>150,000</u>	<u>276,134</u>	<u>573,006</u>
Earnings per share attributable to equity holders of the Company				
- Basic earnings per share (sen)	<u>1.06</u>	<u>1.67</u>	<u>4.20</u>	<u>14.07</u>
- Diluted earnings per share (sen)	<u>0.92</u>	<u>1.43</u>	<u>3.63</u>	<u>12.00</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 2018 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	(91,188)	-	(91,188)	-	12	(91,176)
Profit for the period	-	-	-	-	-	-	300,480	300,480	-	66,830	367,310
Transactions with owners:											
Issuance of ordinary shares											
- Dividend Reinvestment Plan ("DRP")	141,331	-	-	-	-	-	-	141,331	-	-	141,331
- Exercise of Employee Share Grant Plan ("ESGP")	29,444	-	-	(29,444)	-	-	-	-	-	-	-
Conversion of RCPS-i B into ordinary shares	9,449	-	(9,449)	-	-	-	-	-	-	-	-
Share issuance expenses	(156)	-	-	-	-	-	-	(156)	-	-	(156)
RCPS-i A preferential dividends paid	-	-	-	-	-	-	(70,654)	(70,654)	-	-	(70,654)
RCPS-i B preferential dividends paid	-	-	-	-	-	-	(61,674)	(61,674)	-	-	(61,674)
Dividends paid	-	-	-	-	-	-	(180,231)	(180,231)	-	(11,122)	(191,353)
Liquidation of subsidiary companies	-	-	-	-	-	-	-	-	-	(306)	(306)
Share-based payment under Employee Long Term Incentive Plan ("LTIP")	-	-	-	46,334	-	-	-	46,334	-	-	46,334
Balance at 30.09.2019	8,432,321	1,087,363	1,035,304	157,877	(1,295,884)	(141,246)	4,951,109	14,226,844	-	1,431,677	15,658,521
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	-	-	-	-	-	(97,103)	-	(97,103)	-	(14)	(97,117)
Profit for the period	-	-	-	-	-	-	569,413	569,413	-	73,608	643,021
Distribution for the period	-	-	-	-	-	-	-	-	-	-	27,102
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 Employee Share Grant Plan ("ESGP")	33,336	-	-	(33,336)	-	-	-	-	-	-	-
- Exercise of Employee Share Options Scheme ("ESOS")	3,411	-	-	(549)	-	-	-	2,862	-	-	2,862
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	(11,831)	-	-	-	-	-	-	(11,831)	-	-	(11,831)
RCPS-i A preferential dividends paid	-	-	-	-	-	-	(36,215)	(36,215)	-	-	(36,215)
Dividends paid	-	-	-	-	-	-	(431,856)	(431,856)	-	(12,691)	(444,547)
Share-based payment under Employee Long Term Incentive Plan ("LTIP")	-	-	-	60,661	-	-	-	60,661	-	-	60,661
Balance at 30.09.2018 (restated)	8,100,463	1,114,715	1,062,228	121,226	(1,295,884)	39,813	5,086,586	14,229,147	619,821	1,354,796	16,203,764

(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 SEPTEMBER 2019
(The figures have not been audited)

	9 MONTHS ENDED	
	30/09/2019	30/09/2018
	RM'000	RM'000
Operating Activities		
Profit before tax	508,845	786,419
Adjustments for:-		
Non-cash items	21,921	(290,963)
Non-operating items	71,445	76,065
Operating profit before changes in working capital	602,211	571,521
Changes in inventories - property development costs	(151,545)	(204,486)
Changes in inventories - completed properties and others	292,003	413,257
Changes in contract assets/liabilities	128,078	(10,746)
Changes in receivables	395,595	38,668
Changes in payables	(324,297)	(193,413)
Cash generated from operations	942,045	614,801
Rental received	20,647	11,291
Interest received	37,434	41,696
Net tax paid	(42,105)	(179,298)
Net cash generated from operating activities	958,021	488,490
Investing Activities		
Additions to inventories - land held for property development	(469,238)	(389,920)
Deposits and part consideration paid for acquisition of land	-	(20,596)
Additions to property, plant and equipment	(63,106)	(66,113)
Additions to investment properties	(20,525)	(103,682)
Proceeds from disposal of property, plant and equipment	11,035	512
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)
Net cash inflow arising from liquidation of subsidiary companies	160	-
Acquisition of additional shares in existing joint ventures	(190,955)	(378,255)
Repayment from/(Capital contribution to) a joint venture	304	(70)
Advances to an associated company	(126)	(86)
Repayment from/(Advances to) joint ventures	7,366	(25,071)
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	(5,990)	(27,796)
Dividends received from associated companies	2,045	1,635
Interest received	32,098	57,152
Rental received	15,561	13,341
Net cash used in investing activities	(681,371)	(4,965,760)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019
(The figures have not been audited)

	9 MONTHS ENDED	
	30/09/2019	30/09/2018
	RM'000	RM'000
Financing Activities		
Proceeds from placement of ordinary shares	-	997,750
Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS	-	2,862
Refund of excess application proceeds from rights issue of shares and RCPS-i B	-	(310,412)
Payment of share issuance expenses	(156)	(11,831)
Payment for amount due to non-controlling shareholder of a subsidiary company	(125,000)	(853)
Drawdown of bank borrowings	1,799,261	3,305,149
Repayment of bank borrowings	(1,030,314)	(1,437,685)
Repayment of lease liabilities	(718)	-
Perpetual bond distribution paid	-	(18,068)
Interest paid	(383,487)	(350,701)
Redeemable cumulative preference share dividends paid to non-controlling interests	(2,322)	(2,322)
Dividends paid to non-controlling interests	(11,122)	(12,691)
Dividends paid	(38,900)	(55,037)
RCPS-i A preferential dividends paid	(70,654)	(36,215)
RCPS-i B preferential dividends paid	(61,674)	-
Net cash from financing activities	<u>74,914</u>	<u>2,069,946</u>
Net changes in cash and cash equivalents	351,564	(2,407,324)
Effect of exchange rate changes	(7,193)	(11,157)
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>3,154,426</u></u>	<u><u>3,111,582</u></u>
Cash and cash equivalents comprise the following:		
Short-term funds	1,850,602	1,045,244
Short-term deposits	218,761	561,595
Cash and bank balances	1,167,615	1,576,939
Bank overdrafts	(25,400)	(16,507)
	<u>3,211,578</u>	<u>3,167,271</u>
Less: Amount restricted in sinking fund, debt service reserve, escrow accounts and short-term deposits	(57,152)	(55,689)
	<u><u>3,154,426</u></u>	<u><u>3,111,582</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.

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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 September 2019.

4. Material Changes in Estimates

There were no material changes in estimates for the financial period ended 30 September 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;
- (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; and
- (c) Allotment of 9,982,293 new ordinary shares pursuant to the vesting of Employee Share Grant Plan ("ESGP").

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.

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6. Dividends Paid (continued)

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.

b) Islamic Redeemable Convertible Preference Shares (“RCPS-i A”) preferential dividend in respect of the financial period from 1 July 2018 to 30 June 2019

A semi-annual RCPS-i A preferential dividend of RM35,326,945, in respect of the financial period from 1 July 2018 to 31 December 2018 and another semi-annual RCPS-i A preferential dividend of RM35,326,945, in respect of the financial period from 1 January 2019 to 30 June 2019 were paid in cash on 5 April 2019 and 26 September 2019 respectively.

c) Islamic Redeemable Convertible Preference Shares (“RCPS-i B”) preferential dividend in respect of the financial period from 1 July 2018 to 30 June 2019

A semi-annual RCPS-i B preferential dividend of RM30,976,917, in respect of the financial period from 1 July 2018 to 31 December 2018 and another semi-annual RCPS-i B preferential dividend of RM30,696,750, in respect of the financial period from 1 January 2019 to 30 June 2019 were paid in cash on 5 April 2019 and 26 September 2019 respectively.

7. Segmental Reporting

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

	Property Development RM'000	Construction RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
External revenue	2,936,427	52,529	143,749	-	3,132,705
Inter-segment revenue	137,095	353,505	34,557	(525,157)	-
Total revenue	3,073,522	406,034	178,306	(525,157)	3,132,705
Gross profit	755,880	1,401	15,443	-	772,724
Other income	172,370	79	18,984	-	191,433
Operating expenses	(247,819)	(8,430)	(17,917)	-	(274,166)
Share of results of joint ventures	(29,465)	-	6,461	-	(23,004)
Share of results of associated companies	19,119	-	-	-	19,119
Finance costs	(150,741)	(404)	(26,116)	-	(177,261)
Profit/(loss) before tax	519,344	(7,354)	(3,145)	-	508,845
Taxation					(141,535)
Profit for the period					367,310

8. Material Events Subsequent to the End of Financial Period

There were no material transactions or events subsequent to the financial period ended 30 September 2019 till 6 November 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 September 2019 except for the voluntary deregistration of Setia Land (China) Limited on 26 August 2019. Setia Land (China) Limited was an inactive subsidiary of Setia International Limited, which in turn is a wholly-owned subsidiary of S P Setia Berhad.

10. Contingent Liabilities

The following are the status updates on the contingent liabilities of the Group as at the financial period ended 30 September 2019 till 6 November 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.

In respect of Setia Fontaines’ judicial review (JR) application against the Customs and Ministry of Finance (MOF), Setia Fontaines filed its affidavit in reply (AIR) on 31 October 2019 and the same is fixed for Further Case Management on 25 November 2019. Meanwhile, Setia Fontaines’ application to stay the main proceeding pending the disposal of the JR application has been fixed for Hearing on 10 December 2019.

10. Contingent Liabilities (continued)

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.

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 September 2019 RM'000
<i>Commitments of subsidiary companies:-</i>	
Contractual commitments for construction of investment properties	54,840
Contractual commitments for construction of property, plant and equipment	<u>148,884</u>
<i>Share of commitments of joint ventures:-</i>	
Contractual commitments for acquisition of development land	108,911
Contractual commitments for construction of investment properties	<u>57,144</u>

12. Significant Related Party Transactions

	1 Jan 2019 to 30 September 2019 RM'000
<i>Transactions with joint ventures:-</i>	
(i) Management fee received and receivable	1,286
(ii) Event service fee received and receivable	105
(iii) Rental received and receivable	327
(iv) Rental paid and payable	141
(v) Staff secondment fee received and receivable	369
(vi) Interest received and receivable	2,434

**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:-

	Q3 2019	Q3 2018	PTD 2019	PTD 2018
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property Development	865,664	924,581	2,936,427	2,388,414
Construction	13,160	17,501	52,529	56,886
Other Operations	53,244	50,920	143,749	129,174
	<u>932,068</u>	<u>993,002</u>	<u>3,132,705</u>	<u>2,574,474</u>
Profit/(Loss) before tax				
Property Development	180,924	165,722	519,344	795,295
Construction	(1,992)	954	(7,354)	(5,396)
Other Operations	177	(9,681)	(3,145)	(3,480)
	<u>179,109</u>	<u>156,995</u>	<u>508,845</u>	<u>786,419</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q3 2019 vs Q3 2018)

Property Development

The Group’s property development segment achieved revenue of RM865.7 million and PBT of RM180.9 million in Q3 2019. Q3 2019 revenue is slightly lower than the same quarter in the preceding year, as last year we had completed and handed over our Australian project, *Maison Carnegie*, of which the revenue and profits were recognised on completion basis.

In Q3 2019, the Group realised a foreign exchange gain of RM37.8 million from the translation of certain Pound Sterling denominated loan facilities, which had contributed to a higher PBT for Q3 2019, against the same quarter last year.

Under construction 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* and *Setia Safiro* 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*, *Setia Sky Ville* and *Setia Fontaines* in Penang, *Aeropod* in Kota Kinabalu and *Daintree Residence* in Singapore.

1. Review of Group Performance (continued)**(a) Performance of the current quarter against the same quarter in the preceding year (Q3 2019 vs Q3 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.

(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 RM2.94 billion in PTD 2019 is 23% higher than the corresponding period-to-date in the preceding year of RM2.39 billion, mainly due to the sale of former British Embassy Land located in Jalan Ampang, Kuala Lumpur for a sale consideration of RM449.2 million.

A one-off exceptional fair value gain of RM343.8 million from the remeasurement of originally owned 50% equity stake in Setia Federal Hill Sdn Bhd (“SFH”) was recognised in Q3 2018 after the Group acquired full control in SFH. Excluding the aforementioned one-off fair value gain, the property development segment’s PBT is better by 15% compared to the segment’s PBT for the same 9 months period in FY2018.

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.

2. Material Changes in the Quarterly Results (“Q3 2019”) compared to the results of the Preceding Quarter (“Q2 2019”)

A gain of RM35.8 million from the sale of former British Embassy Land was recognised in the preceding quarter of Q2 2019. Excluding this gain from land sale, the PBT for Q3 2019 is 7% better than that achieved for Q2 2019.

3. Prospects for the Current Financial Year

For the nine months ended 30 September 2019, the Group secured sales of RM3.07 billion. Local projects contributed RM2.60 billion, which represented approximately 85% of the total sales while international projects contributed RM467.0 million or approximately 15% of the total sales. In Malaysia, sales secured were largely from Central region with RM1.75 billion while the Southern and Northern regions combined, contributed RM854.0 million. Of the RM2.60 billion sales achieved locally, RM1.17 billion were derived from the Home Ownership Campaign (“HOC”). As for the international projects, UNO Melbourne in Australia, Daintree Residence in Singapore and Eco Xuan in Vietnam contributed RM435.0 million of sales.

The Group has been selective with its project launches and focuses on landed properties to cater for the demands from the owner occupiers. In the first nine months of FY2019, the Group launched projects with combined Gross Development Value (“GDV”) of RM2.71 billion. Several projects, largely comprised of landed properties registered commendable performance. For instance, the 2-storey linked houses at Setia Safiro in Cyberjaya as well as the 2-storey semi-detached houses at Setia Mayuri in Semenyih were both 100% taken-up over a weekend during their launches. Over in mainland Penang, the launch of the much anticipated affordable single storey terrace houses priced at RM330,000 onwards at Setia Fontaines witnessed encouraging response as buyers were attracted to the unique development concepts, prime location and the amenities within this new township in Seberang Perai.

For the remaining months of FY2019, another RM2.17 billion worth of GDV is planned to be launched. The Group will continue to focus on the launches of landed properties in the established townships of Klang Valley and Johor Bahru. This will bring the total launches for FY2019 to RM4.88 billion. Notable launches are planned in existing townships of Setia Alam, Setia Eco Hill, Setia Eco Templer, Setia Eco Park, Bandar Kinrara, Alam Impian, Setia Eco Garden and Setia Tropika. The strategy is to launch more landed properties in the Group’s flagship townships where the underlying demands by owner occupiers are still favourable. In addition to that, the Group will also be launching the 2-storey linked houses at Setia Warisan Tropika, the Group’s latest township located in Bandar Baru Salak Tinggi in mid-November this year.

Competitive product offerings and a strong brand are among the key factors that underpinned the strong sales performance of the Group. Nevertheless, global geopolitical issues continue to cast uncertainties to global outlook and weighed down on the property sector. Consequently, the “wait-and-see” attitude lingers on as purchasers are still having reservation on purchasing big ticket items. The Budget 2020 incorporated some measures positive to the property sector, including the proposed reduction of price threshold for foreign purchasers for high rise properties to RM600,000 as well as RM3 billion government guarantee for up to RM10 billion Rent-to-Own financing schemes. With other key initiatives to support the housing sector, the Group is hopeful that the positive measures of Budget 2020 will aid to uplift the market sentiment.

Given the versatility of the planned launches, the encouraging response to the HOC and initiatives introduced to promote home ownerships, the Group remains positive and will work towards achieving the sales target of RM4.55 billion. Anchored by 46 ongoing projects with 8,984 acres of effective land banks remaining and potential GDV of RM143.82 billion, prospects going forward remain positive with total unbilled sales of RM10.52 billion as at 30 September 2019.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

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5. Income Tax

	Q3 2019	Q3 2018	PTD 2019	PTD 2018
	RM'000	RM'000	RM'000	RM'000
Taxation				
- current taxation	62,343	75,675	174,358	150,723
- deferred taxation	(22,772)	(17,122)	(32,823)	(34,427)
	<u>39,571</u>	<u>58,553</u>	<u>141,535</u>	<u>116,296</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 6 November 2019, the latest practicable date which shall not be earlier than 7 days from the date of issue of this interim financial report.

7. Group Borrowings and Debt Securities

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

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short-term borrowings	1,282,649	1,328,099	2,610,748
Long-term borrowings	4,929,524	3,659,595	8,589,119
Redeemable cumulative preference shares	-	69,607	69,607
	<u>6,212,173</u>	<u>5,057,301</u>	<u>11,269,474</u>

Currency exposure profile of borrowings is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Malaysian Ringgit	5,384,027	3,605,706	8,989,733
Great British Pound	-	1,451,595	1,451,595
Singapore Dollar	585,439	-	585,439
Australian Dollar	185,892	-	185,892
Japanese Yen	42,234	-	42,234
United States Dollar	14,581	-	14,581
	<u>6,212,173</u>	<u>5,057,301</u>	<u>11,269,474</u>

8. Material Litigation

Except for the contingent liabilities disclosed above, the Group was not engaged in any material litigation as at 6 November 2019, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

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9. Dividends Declared

The Board of Directors has declared preferential dividend of 6.49% per annum for RCPS-i A and 5.93% per annum for RCPS-i B, both payable semi-annually, in respect of the financial period from 1 January 2019 to 30 June 2019. A total of RM66,023,695 preferential dividends was paid in cash on 26 September 2019.

10. Earnings Per Share Attributable To Owners of The Company

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 and RCPS-i B preferential dividends paid for the period, divided by the weighted average number of shares in issue as follows:-

	Q3 2019 '000	Q3 2018 '000	PTD 2019 '000	PTD 2018 '000
Profit attributable to owners of the Company (RM)	108,926	65,187	300,480	569,413
- RCPS-i A preferential dividends (RM)	(35,327)	-	(70,654)	(36,215)
- RCPS-i B preferential dividends (RM)	(30,697)	-	(61,674)	-
Adjusted profit attributable to equity holders of the Company (RM)	<u>42,902</u>	<u>65,187</u>	<u>168,152</u>	<u>533,198</u>
Number of ordinary shares at beginning of the period	4,032,499	3,890,346	3,958,563	3,427,783
Weighted average effect of shares issued pursuant to:				
- Exercise of ESOS	-	26	-	651
- Vesting of ESGP	8,897	9,445	2,998	3,183
- Conversion of RCPS-i A into ordinary shares	-	-	-	963
- Conversion of RCPS-i B into ordinary shares	-	-	1,695	453
- Placement of new ordinary shares	-	-	-	277,381
- Dividend Reinvestment Plan	-	-	39,481	78,874
Weighted average number of ordinary shares	<u>4,041,396</u>	<u>3,899,817</u>	<u>4,002,737</u>	<u>3,789,288</u>
Basic earnings per share (sen)	<u>1.06</u>	<u>1.67</u>	<u>4.20</u>	<u>14.07</u>

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

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 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 as follows:

	Q3 2019	Q3 2018	PTD 2019	PTD 2018
	'000	'000	'000	'000
Profit attributable to owners of the Company (RM)	108,926	65,187	300,480	569,413
- RCPS-i A preferential dividends (RM)	(35,327)	-	(70,654)	(36,215)
- RCPS-i B preferential dividends (RM)	(30,697)	-	(61,674)	-
Adjusted profit attributable to equity holders of the Company (RM)	<u>42,902</u>	<u>65,187</u>	<u>168,152</u>	<u>533,198</u>
Weighted average number of ordinary shares as per basic earnings per share	4,041,396	3,899,817	4,002,737	3,789,288
Effect of potential exercise of LTIP	29,481	29,286	30,296	36,142
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>4,673,080</u>	<u>4,546,682</u>	<u>4,635,236</u>	<u>4,443,009</u>
Diluted earnings per share (sen)	<u>0.92</u>	<u>1.43</u>	<u>3.63</u>	<u>12.00</u>

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11. Notes to the Statement of Comprehensive Income

	Q3 2019	PTD 2019
	RM'000	RM'000
Interest income	27,529	83,801
Other income including investment income	22,327	61,544
Interest expense	(59,825)	(177,261)
Depreciation and amortisation	(7,202)	(21,213)
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	5,016	5,105
Impairment of assets	-	-
Fair value gain on investment properties	-	-
Net foreign exchange gain	37,819	40,983
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.