

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

**Interim Financial Report**  
**30 June 2020**

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**Interim Financial Report - 30 June 2020**

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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 2020**  
*(The figures have not been audited)*

	(UNAUDITED)	(AUDITED)
	As At	As At
	30/06/2020	31/12/2019
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	670,617	639,630
Right-of-use - property, plant and equipment	2,986	3,613
Investment properties	2,030,844	2,006,439
Right-of-use - investment properties	69,257	75,853
Inventories - land held for property development	12,558,918	12,337,053
Intangible asset	13,737	14,089
Investments in joint ventures	2,935,947	2,979,178
Investments in associated companies	564,678	560,090
Other investments	96	96
Amounts owing by joint ventures	69,785	69,785
Trade receivables	24,638	30,249
Other receivables, deposits and prepayments	68,984	66,017
Deferred tax assets	331,278	284,666
	<u>19,341,765</u>	<u>19,066,758</u>
<b>Current assets</b>		
Trade receivables	668,621	722,003
Contract assets	1,133,451	1,077,886
Other receivables, deposits and prepayments	264,991	212,277
Inventories - property development costs	3,166,367	3,125,909
Inventories - completed properties and others	1,239,802	1,444,115
Contract cost assets	1,381,462	1,177,645
Amounts owing by joint ventures	84,386	85,104
Amounts owing by associated companies	630	590
Amounts owing by related companies	135	930
Current tax assets	72,413	69,421
Short-term funds	1,255,255	1,676,226
Short-term deposits	88,710	179,503
Cash and bank balances	995,830	1,204,348
	<u>10,352,053</u>	<u>10,975,957</u>
<b>TOTAL ASSETS</b>	<u><u>29,693,818</u></u>	<u><u>30,042,715</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	8,432,321	8,432,321
Share capital - RCPS-i A	1,087,363	1,087,363
Share capital - RCPS-i B	1,035,304	1,035,304
Reserves		
Share-based payment reserve	163,669	144,721
Reserve on acquisition arising from common control	(1,295,884)	(1,295,884)
Exchange translation reserve	(24,705)	(27,162)
Retained earnings	4,752,997	4,972,532
<b>Equity attributable to owners of the Company</b>	<u>14,151,065</u>	<u>14,349,195</u>
Non-controlling interests	1,411,314	1,432,647
<b>Total equity</b>	<u>15,562,379</u>	<u>15,781,842</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Redeemable cumulative preference shares	37,413	37,006
Other payables and accruals	80,874	90,874
Long-term borrowings	8,993,934	8,838,769
Lease liabilities	2,163	2,404
Deferred tax liabilities	460,241	455,575
	<u>9,574,625</u>	<u>9,424,628</u>
<b>Current liabilities</b>		
Redeemable cumulative preference shares	33,047	32,413
Trade payables	1,400,543	1,592,878
Contract liabilities	161,207	158,966
Other payables and accruals	602,912	688,592
Short-term borrowings	2,326,457	2,330,399
Lease liabilities	920	1,288
Current tax liabilities	31,349	30,591
Amounts owing to related companies	379	1,118
	<u>4,556,814</u>	<u>4,836,245</u>
<b>Total liabilities</b>	<u>14,131,439</u>	<u>14,260,873</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>29,693,818</u></u>	<u><u>30,042,715</u></u>
Net assets per share attributable to owners of the Company	<u>2.98</u>	<u>3.02</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 2019 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 2020**  
*(The figures have not been audited)*

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/06/2020 RM'000	30/06/2019 RM'000 Restated	30/06/2020 RM'000	30/06/2019 RM'000 Restated
Revenue	331,327	1,335,730	1,033,982	2,200,637
Cost of sales				
- Operational cost of sales	(240,064)	(1,031,786)	(725,625)	(1,627,481)
- Impairment of completed inventories	(145,910)	-	(145,910)	-
Gross (loss)/profit	<u>(54,647)</u>	<u>303,944</u>	<u>162,447</u>	<u>573,156</u>
Other income	45,200	48,822	89,063	96,234
Selling and marketing expenses	(9,907)	(17,107)	(22,465)	(37,687)
Administrative and general expenses	(85,661)	(96,029)	(164,783)	(186,060)
Share of results of joint ventures	(8,319)	(8,489)	(16,563)	(16,539)
Share of results of associated companies	2,144	9,035	431	15,560
Finance costs	(51,114)	(61,174)	(106,473)	(117,436)
(Loss)/Profit before tax	<u>(162,304)</u>	<u>179,002</u>	<u>(58,343)</u>	<u>327,228</u>
Taxation	23,268	(53,568)	(24,570)	(101,964)
(Loss)/Profit for the period	<u>(139,036)</u>	<u>125,434</u>	<u>(82,913)</u>	<u>225,264</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	75,447	(16,347)	2,516	(582)
Total comprehensive (loss)/income for the period	<u>(63,589)</u>	<u>109,087</u>	<u>(80,397)</u>	<u>224,682</u>
(Loss)/Profit attributable to:				
Owners of the Company	(141,549)	114,070	(113,086)	189,046
Non-controlling interests	2,513	11,364	30,173	36,218
	<u>(139,036)</u>	<u>125,434</u>	<u>(82,913)</u>	<u>225,264</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(66,119)	97,710	(110,629)	188,464
Non-controlling interests	2,530	11,377	30,232	36,218
	<u>(63,589)</u>	<u>109,087</u>	<u>(80,397)</u>	<u>224,682</u>
Earnings per share attributable to owners of the Company				
- Basic (loss)/earnings per share (sen)	<u>(3.50)</u>	<u>2.85</u>	<u>(4.43)</u>	<u>3.08</u>
- Diluted (loss)/earnings per share (sen)	<u>(3.48)</u>	<u>2.83</u>	<u>(4.40)</u>	<u>3.06</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 2019 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 2020**  
*(The figures have not been audited)*

	← Attributable to owners of the Company →									Total Equity RM'000
	← 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	Non- controlling Interests RM'000	
<b>Balance at 01.01.2020</b>	8,432,321	1,087,363	1,035,304	144,721	(1,295,884)	(27,162)	4,972,532	14,349,195	1,432,647	15,781,842
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	2,457	-	2,457	59	2,516
Loss for the period	-	-	-	-	-	-	(113,086)	(113,086)	30,173	(82,913)
RCPS-i A preferential dividends paid	-	-	-	-	-	-	(35,327)	(35,327)	-	(35,327)
RCPS-i B preferential dividends paid	-	-	-	-	-	-	(30,697)	(30,697)	-	(30,697)
Dividends paid	-	-	-	-	-	-	(40,425)	(40,425)	(51,565)	(91,990)
Share-based payment under Employee Long Term Incentive Plan ("LTIP")	-	-	-	18,948	-	-	-	18,948	-	18,948
<b>Balance at 30.06.2020</b>	8,432,321	1,087,363	1,035,304	163,669	(1,295,884)	(24,705)	4,752,997	14,151,065	1,411,314	15,562,379
<b>Balance at 01.01.2019</b>	8,252,253	1,087,363	1,044,753	140,987	(1,295,884)	(50,058)	4,918,566	14,097,980	1,376,263	15,474,243
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	(582)	-	(582)	-	(582)
Profit for the period	-	-	-	-	-	-	189,046	189,046	36,218	225,264
<b>Transactions with owners:</b>										
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 Employee Long Term Incentive Plan ("LTIP")	-	-	-	39,241	-	-	-	39,241	-	39,241
<b>Balance at 30.06.2019 (restated)</b>	8,402,901	1,087,363	1,035,304	180,228	(1,295,884)	(50,640)	4,861,077	14,220,349	1,409,036	15,629,385

(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 2019 and the accompanying explanatory notes in this report.)

**S P SETIA BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**  
*(The figures have not been audited)*

	<b>6 MONTHS ENDED</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
<b>Operating Activities</b>		
(Loss)/Profit before tax	(58,343)	327,228
Adjustments for:-		
Non-cash items	188,396	50,102
Non-operating items	43,265	48,402
Operating profit before changes in working capital	<u>173,318</u>	<u>425,732</u>
Changes in inventories - property development costs and contract cost assets	(189,425)	(100,036)
Changes in inventories - completed properties and others	129,530	205,868
Changes in contract assets/liabilities	(46,142)	(33,565)
Changes in receivables	21,265	255,953
Changes in payables	(279,161)	(313,577)
Cash (used in)/generated from operations	<u>(190,615)</u>	<u>440,375</u>
Rental received	6,366	5,522
Interest received	15,077	26,353
Interest paid on lease liabilities	(66)	(51)
Net tax paid	(68,986)	(89,095)
Net cash (used in)/generated from operating activities	<u>(238,224)</u>	<u>383,104</u>
<b>Investing Activities</b>		
Additions to inventories - land held for property development	(236,942)	(312,833)
Additions to property, plant and equipment	(44,198)	(40,451)
Additions to investment properties	(1,925)	(7,796)
Proceeds from disposal of property, plant and equipment	230	150
Proceeds from disposal of investment properties	6,221	-
Acquisition of additional shares in existing joint ventures	(24,000)	(188,705)
Advances to an associated company	(40)	(29)
Repayment from joint ventures	1,968	4,524
Withdrawal from/(placement of) sinking fund, debt service reserve, escrow accounts and short-term deposits	8,366	(42,415)
Dividends received from associated companies	-	2,045
Interest received	21,802	19,928
Rental received	15,669	14,324
Net cash used in investing activities	<u>(252,849)</u>	<u>(551,258)</u>
<b>Financing Activities</b>		
Payment of share issuance expenses	-	(132)
Repayment to non-controlling shareholder of subsidiary company	-	(125,000)
Drawdown of bank borrowings	587,008	1,598,405
Repayment of bank borrowings	(446,993)	(720,090)
Repayment of lease liabilities	(671)	(457)
Interest paid	(220,088)	(253,624)
Transaction cost on borrowings paid	(960)	-
Redeemable cumulative preference share dividends paid to non-controlling interests	-	(1,050)
Dividends paid to non-controlling interests	(51,565)	(3,445)
Dividends paid	(40,425)	(38,900)
RCPS-i A preferential dividends paid	(35,327)	(35,327)
RCPS-i B preferential dividends paid	(30,697)	(30,977)
Net cash (used in)/generated from financing activities	<u>(239,718)</u>	<u>389,403</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**  
*(The figures have not been audited)*

	<b>6 MONTHS ENDED</b>	
	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
Net changes in cash and cash equivalents	(730,791)	221,249
<b>Effect of exchange rate changes</b>	3,185	(302)
<b>Cash and cash equivalents at beginning of the period</b>	2,955,811	2,810,055
<b>Cash and cash equivalents at end of the period</b>	<u>2,228,205</u>	<u>3,031,002</u>
<b>Cash and cash equivalents comprise the following:</b>		
Short-term funds	1,255,255	1,789,727
Short-term deposits	88,710	283,879
Cash and bank balances	995,830	1,147,485
Bank overdrafts	(39,291)	(96,512)
	<u>2,300,504</u>	<u>3,124,579</u>
Less: Amount restricted in sinking fund, debt service reserve, escrow accounts and short-term deposits	(72,299)	(93,577)
	<u>2,228,205</u>	<u>3,031,002</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 2019 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 2019.

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 2019 except for the adoption of the following Amendments to MFRSs:-

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101	Presentation of Financial Statements – Definition of Material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework for Financial Reporting	

The adoption of the above Amendments to MFRSs does not have significant financial impact to the Group.

### 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. However, the result of Q2 2020 was affected by unprecedented challenging operating environment due to Covid-19 pandemic.

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

For the financial period ended 30 June 2020, an impairment of completed inventories of RM145.9 million has been accounted in the financial statements. The impairment of completed inventories does not have any impact to the cash flows of the Group.

### 4. Material Changes in Estimates

There were no material changes in estimates for the financial period ended 30 June 2020.

### 5. Debts and Equity Securities

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.

## 6. Dividends Paid

### a) Dividend in respect of the financial year ended 31 December 2019

A single-tier dividend, in respect of the financial year ended 31 December 2019 of 1 sen per ordinary share amounting to RM40,424,817 was paid in cash on 2 April 2020.

### b) Islamic Redeemable Convertible Preference Shares (“RCPS-i A”) preferential dividend in respect of the financial period from 1 July 2019 to 31 December 2019

A semi-annually RCPS-i A preferential dividend of RM35,326,945, in respect of the financial period from 1 July 2019 to 31 December 2019, was paid in cash on 1 April 2020.

### c) Islamic Redeemable Convertible Preference Shares (“RCPS-i B”) preferential dividend in respect of the financial period from 1 July 2019 to 31 December 2019

A semi-annually RCPS-i B preferential dividend of RM30,696,750, in respect of the financial period from 1 July 2019 to 31 December 2019, was paid in cash on 1 April 2020.

## 7. Segmental Reporting

The segmental analysis for the financial period ended 30 June 2020 is as follows:-

	<b>Property Development RM'000</b>	<b>Construction RM'000</b>	<b>Other Operations RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
External revenue	958,172	10,036	65,774	-	1,033,982
Inter-segment revenue	84,783	111,958	10,175	(206,916)	-
Total revenue	1,042,955	121,994	75,949	(206,916)	1,033,982
Gross profit before impairment of completed inventories	301,541	938	5,878	-	308,357
Impairment of completed inventories	(145,910)	-	-	-	(145,910)
Gross profit	155,631	938	5,878	-	162,447
Other income	81,588	100	7,375	-	89,063
Operating expenses	(174,132)	(3,446)	(9,670)	-	(187,248)
Share of results of joint ventures	(16,735)	-	172	-	(16,563)
Share of results of associated companies	431	-	-	-	431
Finance costs	(93,687)	(290)	(12,496)	-	(106,473)
Loss before tax	(46,904)	(2,698)	(8,741)	-	(58,343)
Taxation					(24,570)
Loss for the period					(82,913)

## 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 2020 till 6 August 2020 (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 current quarter and financial period to-date except for the following:

- (a) Internal reorganisation of Setia Precast Sdn Bhd (“Setia Precast”) and Manih System Construction Sdn Bhd (“Manih”), which were formerly wholly-owned subsidiaries of Setia Prefab Sdn Bhd (“Setia Prefab”). Pursuant to the winding up process of Setia Prefab, the distributions-in-specie of the ordinary shares of Setia Precast and Manih held by Setia Prefab have been made by way of transfer of shares to 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 June 2020 till 6 August 2020 (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.

## 10. Contingent Liabilities (continued)

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), the same came up for Hearing on 29 July 2020 and the decision has been deferred to a later date.

In the meantime, Trial of the main proceeding is now fixed on 19 October 2020, 20 October 2020, 26 April 2021, 27 April 2021 and 28 April 2021.

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

	<b>As at 30 June 2020 RM'000</b>
<i>Commitments of subsidiary companies:-</i>	
Contractual commitments for acquisition of development land	22,050
Contractual commitments for construction of investment properties	42,596
Contractual commitments for acquisition and construction of property, plant and equipment	<u>110,899</u>
<i>Share of commitments of joint ventures:-</i>	
Contractual commitments for acquisition of development land	111,475
Contractual commitments for construction of investment properties	<u>17,106</u>

**12. Significant Related Party Transactions**

	<b>1 Jan 2020 to 30 June 2020 RM'000</b>
<i>Transactions with joint ventures:-</i>	
(i) Management fee received and receivable	505
(ii) Event and marketing fee received and receivable	70
(iii) Rental received and receivable	316
(iv) Rental paid and payable	73
(v) Staff secondment fee received and receivable	250
(vi) Interest received and receivable	1,772
	1,772
<i>Transactions with directors of the Company and subsidiary companies:-</i>	
(i) Sale of development property to immediate family members of director of the Company	1,284
(ii) Sale of development properties to immediate family members of director of subsidiary companies	1,562
	1,562

**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 and financial period-to-date are analysed as follows:-

	<b>Q2 2020</b> <b>RM'000</b>	<b>Q2 2019</b> <b>RM'000</b> <b>Restated</b>	<b>PTD 2020</b> <b>RM'000</b>	<b>PTD 2019</b> <b>RM'000</b> <b>Restated</b>
<b>Revenue</b>				
Property Development	306,693	1,273,172	958,172	2,070,763
Construction	2,354	15,742	10,036	39,369
Other Operations	22,280	46,816	65,774	90,505
	331,327	1,335,730	1,033,982	2,200,637
<b>Profit/(Loss) before tax</b>				
Property Development				
- Before impairment of completed inventories	(6,990)	186,886	99,006	332,483
- Impairment of completed inventories	(145,910)	-	(145,910)	-
- After impairment of completed inventories	(152,900)	186,886	(46,904)	332,483
Construction	(1,490)	(963)	(2,698)	(1,933)
Other Operations	(7,914)	(6,921)	(8,741)	(3,322)
	(162,304)	179,002	(58,343)	327,228

**(a) Performance of the current quarter against the same quarter in the preceding year (Q2 2020 vs Q2 2019)**

**Property Development**

In view of the unprecedented challenges of the Covid-19 pandemic and the resultant Movement Control Order (“MCO”) and Conditional Movement Control Order (“CMCO”) rulings, the Group had resolved to aggressively reprice the inventories at Setia Sky 88 project in Johor Bahru and Setia Sky Vista project in Penang, which had been completed for some time, to expedite its clearance and to conserve cash flow. As a result, the Group had to account for an unprecedented amount of impairment of completed inventories of RM145.9 million in Q2 2020.

In addition to that, site progress of all projects came to a standstill during the MCO and CMCO period, which spanned almost the entire Q2 2020. This had significantly impeded revenue recognition during the quarter under review.

It is also essential to note, for comparison purpose, in the corresponding Q2 2019 period, the Group completed the sale of its British Embassy land in Jalan Ampang, Kuala Lumpur for RM449.2 million, which came in as an irregular revenue in that quarter.

In this respect, the property development division inevitably reported lower revenue of RM306.7 million and a loss before tax of RM152.9 million.

**1. Review of Group Performance (continued)**

**(a) Performance of the current quarter against the same quarter in the preceding year (Q2 2020 vs Q2 2019) (continued)**

**Property Development (continued)**

Under construction and completed projects which contributed to the results include *Setia Alam, Setia Eco Park, Precinct Arundina, 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, *Setia Warisan Tropika* in Sepang, *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, *EcoXuan* in Vietnam and *Daintree Residence* in Singapore.

**Construction**

Revenue from construction segment are mainly derived from construction of development properties and supply of readymix concrete.

**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.

**(b) Performance of financial period-to-date, 2020 (“PTD 2020”) vs financial period-to-date, 2019 (“PTD 2019”)**

**Property Development**

The performance of the property development division for the PTD 2020 was predominantly influenced by events in Q2 2020, which had been reported in afore section.

**Construction**

Revenue from construction segment are mainly derived from construction of development properties and supply of readymix concrete.

**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 2020”) compared to the results of the Preceding Quarter (“Q1 2020”)**

As aforementioned, the Group’s performance was significantly affected by the MCO and CMCO rulings which had impeded site progress, accordingly its ability to recognise revenue on percentage of completion basis. In addition to that, the Group’s action to aggressively reprice its completed inventories at Setia Sky 88 project in Johor Bahru and Setia Sky Vista project in Penang to expedite clearance had necessitated an unprecedented amount of impairment of completed inventories of RM145.9 million to be accounted for in Q2 2020. Arising therefrom, the Group reported a loss before tax of RM162.3 million for Q2 2020 against a profit before tax of RM104.0 million for Q1 2020.

## 3. **Prospects for the Current Financial Year**

Since the Movement Control Order and subsequent Recovery Movement Control Order (“MCO”) were imposed to contain the Covid-19 pandemic, activity in terms of new launches and transactions has been generally slower in the residential market in 2020. More emphasis was placed on the clearing of inventories and the careful rationalisation of launches.

In order to provide additional policy stimulus to accelerate the pace of the economy, Bank Negara Malaysia has further reduced the Overnight Policy Rate (“OPR”) to a historic low rate of 1.75% in July 2020. With the lower OPR, buyers would have lower barriers to financing and owning properties with good location, therein incentivising residential purchases. The Government through the National Economy Recovery Plan (PENJANA) 2020 lined up several initiatives to rejuvenate the real estate industry which include stamp duty exemption under the Home Ownership Campaign (“HOC”) 2020, exemption of RPGT upon disposal of residential properties for the period between 1 June 2020 to 31 Dec 2021 and uplifting of the 70% financing limit for third and subsequent housing loans worth >RM600,000 during HOC 2020. These initiatives have a positive impact on the overall property market but have not resulted in a significant market revival yet.

Despite the unprecedented challenging operating environment, for the first half of FY2020, the Group secured sales of RM875 million. Local projects contributed RM702 million or approximately 80% of the sales whilst the remaining RM173 million or approximately 20% were contributed largely by international projects such as UNO Melbourne, Sapphire by the Gardens and Marque Residences in Australia as well as Daintree Residence in Singapore. On the local front, sales were mainly from the Central region with RM502 million, aided by RM127 million contribution from the Southern region while Northern region contributed another RM73 million.

The total sales secured were also complemented by the concerted effort in clearing completed inventories where RM179 million worth of completed inventories were monetised during this period. In addition to the sales secured, as of July FY2020, the Group had also secured bookings of RM1.42 billion and the main focus will now be on the swift conversion of these bookings into sales.

During the MCO period, the Group embraced various digitalisation initiatives to reach out to customers by marketing products through the Setia Digital Marketplace platform and launched two major campaigns under the digitally “Stay Home Stay Setia” and “Setia Now” campaigns respectively. Response from these two campaigns were encouraging. Our workforce also effortlessly migrated to remote working from home through digital platform when MCO was enforced.

Looking ahead, the Group expects to pick up and ride on the momentum of the increase in real estate activities spurred by PENJANA initiatives. The Group continues to perform resiliently in this current financial year.

**3. Prospects for the Current Financial Year (continued)**

Backed by an unbilled sales totalling RM9.68 billion in place, this will tide the Group over for the next two years. Besides focusing on clearing the completed inventories, the Group will remain prudent with targeted and selective new launches concentrating on the mid-range landed units in established townships to cater for the demand of owner-occupiers. The Group had also put in place several cost rationalisation initiatives for better operational efficiency for this current financial year. The Group is also anchored by 48 on-going projects and an effective remaining landbank of 8,711 acres with a Gross Development Value of RM139.4 billion as at 30 June 2020.

**4. Variance of Actual Profit from Forecast Profit**

Not applicable as no profit forecast was published.

**5. Income Tax**

	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>PTD 2020</b>	<b>PTD 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation				
- current taxation	23,533	58,439	67,043	112,015
- deferred taxation	(46,801)	(4,871)	(42,473)	(10,051)
	(23,268)	53,568	24,570	101,964
	(23,268)	53,568	24,570	101,964

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 is no corporate proposal that has been announced by the Company which has not completed as at 6 August 2020, 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 June 2020 were as follows:-

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term borrowings	1,230,971	1,095,486	2,326,457
Long-term borrowings	5,219,702	3,774,232	8,993,934
Redeemable cumulative preference shares	-	70,460	70,460
	6,450,673	4,940,178	11,390,851
	6,450,673	4,940,178	11,390,851

## 7. Group Borrowings and Debt Securities (continued)

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

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian Ringgit	5,491,628	3,447,510	8,939,138
Great British Pound	-	1,383,763	1,383,763
Singapore Dollar	593,300	-	593,300
Australian Dollar	322,532	-	322,532
United States Dollar	-	108,905	108,905
Japanese Yen	43,213	-	43,213
	<u>6,450,673</u>	<u>4,940,178</u>	<u>11,390,851</u>

## 8. Material Litigation

Except for the contingent liabilities disclosed above, the Group was not engaged in any material litigation as at 6 August 2020, 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) On 13 August 2020, the Board of Directors has declared preferential dividends in respect of the financial period from 1 January 2020 to 30 June 2020, 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 2020.

**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/loss attributable to owners of the Company adjusted for the effects of RCPS-i A and RCPS-i B preferential dividends declared during the period, divided by the weighted average number of shares in issue, as follows:-

	<b>Q2 2020</b> <b>'000</b>	<b>Q2 2019</b> <b>'000</b> <b>Restated</b>	<b>PTD 2020</b> <b>'000</b>	<b>PTD 2019</b> <b>'000</b> <b>Restated</b>
(Loss)/Profit attributable to owners of the Company (RM)	(141,549)	114,070	(113,086)	189,046
- RCPS-i A preferential dividends (RM)	-	-	(35,327)	(35,327)
- RCPS-i B preferential dividends (RM)	-	-	(30,697)	(30,977)
Adjusted (loss)/profit attributable to owners of the Company (RM)	<u>(141,549)</u>	<u>114,070</u>	<u>(179,110)</u>	<u>122,742</u>
Number of ordinary shares at beginning of the period	4,042,482	3,958,563	4,042,482	3,958,563
Weighted average effect of shares issued pursuant to:				
- Conversion of RCPS-i B into ordinary shares	-	2,501	-	1,257
- Dividend Reinvestment Plan	-	46,279	-	23,267
Weighted average number of ordinary shares	<u>4,042,482</u>	<u>4,007,343</u>	<u>4,042,482</u>	<u>3,983,087</u>
Basic (loss)/earnings per share (sen)	<u>(3.50)</u>	<u>2.85</u>	<u>(4.43)</u>	<u>3.08</u>

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

Diluted Earnings Per Share

The diluted earnings per share for the period is calculated by dividing the Group's profit/loss attributable to owners of the Company adjusted for the effects of RCPS-i A and RCPS-i B 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:-

	<b>Q2 2020</b> <b>'000</b>	<b>Q2 2019</b> <b>'000</b> <b>Restated</b>	<b>PTD 2020</b> <b>'000</b>	<b>PTD 2019</b> <b>'000</b> <b>Restated</b>
(Loss)/Profit attributable to owners of the Company (RM)	(141,549)	114,070	(113,086)	189,046
- RCPS-i A preferential dividends (RM)	-	-	(35,327)	(35,327)
- RCPS-i B preferential dividends (RM)	-	-	(30,697)	(30,977)
Adjusted (loss)/profit attributable to owners of the Company (RM)	<u>(141,549)</u>	<u>114,070</u>	<u>(179,110)</u>	<u>122,742</u>
Weighted average number of ordinary shares as per Basic Earnings Per Share	4,042,482	4,007,343	4,042,482	3,983,087
Effect of potential exercise of LTIP	<u>28,213</u>	<u>25,591</u>	<u>28,363</u>	<u>25,722</u>
Weighted average number of ordinary shares	<u>4,070,695</u>	<u>4,032,934</u>	<u>4,070,845</u>	<u>4,008,809</u>
Diluted (loss)/earnings per share (sen)	<u>(3.48)</u>	<u>2.83</u>	<u>(4.40)</u>	<u>3.06</u>

The effects of conversion of RCPS-i A and RCPS-i B have not been included in the computation of the dilutive earnings per share of the Group as they are anti-dilutive.

**11. Notes to the Statement of Comprehensive Income**

	<b>Q2 2020</b>	<b>PTD 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	21,340	44,791
Other income including investment income	17,862	36,811
Interest expense	(51,114)	(106,473)
Depreciation and amortisation	(7,214)	(14,712)
Provision for and write off of trade and other receivables	-	(3)
Impairment of completed inventories	(145,910)	(145,910)
Net loss on disposal of quoted or unquoted investments or properties	-	(702)
Impairment and write off of assets	-	-
Fair value gain on investment properties	-	-
Net foreign exchange gain	5,998	7,461
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 2019 was unqualified.