



S P SETIA BERHAD

[Company No: 197401002663 (19698-X)]
(Incorporated in Malaysia)

Key Matters Discussed at the Forty Fifth (45th) Annual General Meeting of the Company held entirely through live streaming from the broadcast venue at **Annex, Level 1, S P Setia Berhad Corporate HQ, No. 12, Persiaran Setia Dagang, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan (“Broadcast Venue”)** on **Monday, 22 June 2020 at 10.00 a.m.**

The 45th AGM was attended and/or participated via remote participation by all the Directors of the Company.

For the 45th AGM, the shareholders raised the following key questions on the business and operations of the Group which were duly responded by Y.A.M. Tan Sri Dato’ Seri Syed Anwar Jamalullail, Chairman, Dato’ Khor Chap Jen, President and Chief Executive Officer and Datuk Choy Kah Yew, Chief Financial Officer:

Questions submitted to the Company up to 18 June 2020

No.	Questions	Answers
<i>(Submitted by Tan Mei Fang)</i>		
1.	Any approach to clear the existing inventories?	The Group had disposed approximately RM364 million completed stocks brought forward from FY2018, during the year, which was approximately 23% of the RM1.586 billion completed stocks as at 1 January 2020. Simultaneously, during the year, the Group had new completion of projects that added to the completed stocks by RM220 million, thus resulted in a net reduction of 9% to RM1.444 billion.
2.	Given the decreasing OPR rate, possible to launch "Rent to Own" or "Launching of Affordable Unit" to mitigate the effect the low consumers' sentiment?	The products launched by the Group are largely affordable landed properties in preferred locations. There are already large financial institutions operating in the space of Rent to Own, which the Group could work with. The Group will continue to focus on our area of expertise as a developer and work with strategic financial institutional partners that are in the business to provide the relevant property financing.
3	Will the increasing Net Gearing Ratio harm the Company's debt healthy level, especially during the pandemic outbreak?	The Group's net gearing ratio as at 31 December 2019 was 0.52 times, which was still within the internal threshold of 0.6 times. The Group is already working on plans to reduce the net gearing ratio, which among others include the divestment of non-strategic land banks and non-core assets, and the clearance of completed stocks with more attractive incentives, such as the ongoing 'Setia Now' campaign.

Key Matters Discussed at the Forty Fifth Annual General Meeting (“45th AGM”) of the Company

No.	Questions	Answers
4	Will the cash flow able to sustain the company's operation & shareholder's benefit?	The Group churned positive operating cash flow in FY2019, as it did in FY2018, as shown in the cash flow statement in Page 185 of the Annual Report.
5	With the decreasing of EPS annually, what is the need of allotting new shares?	<p>The shares allotted during the year were in respect of the following:</p> <ul style="list-style-type: none"> • Dividend reinvestment opted by the shareholders for the single tier final dividend in respect of FY2018. Dividend reinvestment was an option exercisable at the prerogative of the entitled shareholders; • Vesting of employees' shares grant, which was part of a long term incentive plan for employees committed by the Company; and • The conversion of Islamic Redeemable Convertible Preference Shares B (“RCPS-i B”). The RCPS-i B was convertible to ordinary shares at the prerogative of the holders as well.
<i>(Submitted by Ng Ghim Eng)</i>		
6	Following the challenges of COVID-19 and MCOs with no clear signs of any firmed recovery in sight, what are the effective directions and steps undertaken by the Company going forward, to give value to its shareholders and also to boost stock prices upwards in the near future (up to 6 months ahead).	<p>Stock prices are driven by a variety of factors, especially market factors like economic outlook and government policies, which are factors beyond the influence of the Company. The Company will focus its efforts to mitigate market risk by offering the right products with attractive incentives to the market and remain cost conscious to stay competitive in this challenging time.</p> <p>As an integral part of the Covid-19 relief stimulus package, the government has also lent its support to the real estate industry. The reintroduction of Home Ownership Campaign, the RPGT exemption from 1 June 2020 to 31 December 2021 for the disposal of up to 3 residential properties and the uplifting of 70% loan-to-value cap for third housing loan are strong support for the property market. We have seen improvement in sales after the introduction of the aforementioned stimulus packages.</p> <p>Malaysia has successfully brought the threat of Covid-19 under control and we are already in the Recovery MCO phase. Slowly but surely we are confident that the market will recover and perhaps offer new opportunities for growth.</p>

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Questions submitted to the Company during the proceedings of the 45th AGM

No.	Questions	Answers
<i>(Submitted by Michael Puah Wooi Kuan)</i>		
1	Commented that the remuneration for non-executive position of RM50,000 a month seemed to be very high given the nature of non-executive. He enquired whether this amount was comparable to the market norm and whether the Remuneration Committee had reviewed the quantum.	It has been a practice of the Company to review the Non-Executive Directors’ Remuneration Framework on a yearly basis. In 2019, the Board undertook a review of the remuneration framework for Non-Executive Directors of the Company. In maintaining the quantum, the Board had considered the level of responsibility and benchmarked against peers in the industry as well as the group of companies in Permodalan Nasional Berhad. The Board was of the view that the quantum payable to the Chairman and Non-Executive Directors currently befit the level of responsibility, time commitment, experience and expertise as well as their stature in the society.
2.	Reason for the drop in the Company’s share price from the high of RM4 a few years ago.	Share price performance was dependent on numerous factors, some of which were beyond the Company’s control. Shareholders were urged to continue to support the Company and evaluate based on its performance.
<i>(Submitted by Ms Veiven Goon)</i>		
3.	Locations of the non-strategic land disposals that the Company was looking at.	The Group’s focus was on main urban areas in the Klang Valley, Penang, Johor Bahru and Kota Kinabalu. The Company acquired I & P Group Sdn Berhad (“I& P”) in 2017 to expand its land banks, however, I & P had some landbanks which were situated out of these focus areas such as in Kuala Langat and Melaka.
<i>(Submitted to Asiyah binti Mohd Wafa)</i>		
4.	Sought clarification on the Company’s statement of the apparent early signs of market recovery before the Novel Coronavirus Disease (Covid-19) outbreak.	The property market has been subdued over the past few years. In 2019, the Management saw increased footfall into the Group’s sales galleries and they were mainly end-users and the loan approval rates were also higher than the previous years. There was also a surge in demand for landed properties towards the end of the 2019 whereby some of the Group’s properties were fully taken up within 1 or 2 weekends after the projects were launched. The Company also witnessed that buyers were willing to queue up 4 days before the planned launch at the Group’s project in Bandar Kinrara.
<i>(Submitted by Loke Yoon Hoe)</i>		
5.	Whether the Company would cancel dividend for financial year 2020	The decision on payment of dividends would depend on the actual profits of the Company for the financial year 2020. Therefore, it was premature to decide on this at this juncture.

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No.	Questions	Answers
<i>(Submitted by Hii Tiing Siik)</i>		
6.	Whether the Company would stop the payment of dividends for preference shares if the current challenging market conditions were to prolong for another 3 to 5 years	It was unlikely for the present market situation to continue for another 3 to 5 years as few initiatives by the Government had been announced to help the property market recover namely re-introduction of the Home Ownership Campaign. The Company has seen a renewed interest in the property market upon such announcement and was hopeful that the momentum would continue.
<i>(Submitted by Tan Hung Chye)</i>		
7.	Enquired on the long term plans for the Group’s growing portfolio of investment properties. He further enquired whether the Group has plans to eventually unlock value through asset disposal in order to enhance its focus in property development, or any intention to hold the assets over the long term and thus gradually turn into a diversified property group with an increasing source of recurring rental income.	It was in the Group’s long term plans to generate recurring income through its investment properties. However, the Group would need to take cognizance of the financial resources needed to hold the investment properties for long term. The Group’s long term plan was for income from investment properties to contribute 30% of the Group’s overall profits and the balance would be from the property development business operations. As for the timeframe for the Group to meet its intended target, it would depend on the Group’s financial capabilities to build its investment properties portfolio.
<i>(Submitted by Pengiran Aizuddin)</i>		
8.	Enquired if the Company saw pressure on prices on investment properties as a result of the transactions in the secondary property market of which the prices which were weaker than expected.	In every property market, there would be motivated sellers whereby they could have lost their source of income and therefore unable to hold the assets. Overall the Malaysian market was sustaining well at the moment but there could be a few fire sales. The property transactions in the last 2 years amounted to approximately RM140 billion annually and 50% was contributed by residential properties. This showed that demand was still strong.
<i>(Submitted by other participants)</i>		
9.	Requested for e-vouchers for participating in the Company’s 45 th AGM.	The request has been taken note by the Company.

Datuk Choy Kah Yew also read out the Company’s responses to the questions submitted by the Minority Shareholder Watchdog Group vide their letter dated 3 June 2020.

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The resolutions set out in the Notice of 45th AGM dated 22 May 2020 were put to vote by way of poll via remote online voting on <https://tiih.online>. The Chairman announced the results of the poll for each of the resolutions and declared that all the resolutions set out therein were duly carried and passed by the shareholders and proxies participated in the 45th AGM of the Company.

Dated this: 13 July 2020