S P SETIA BERHAD

Company No: 19698-X

(Incorporated in Malaysia)

Interim Financial Report
31 March 2019

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Interim Financial Report - 31 March 2019

S P SETIA BERHAD
(Company No: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019
(The figures have not been audited)

	(UNAUDITED) As At 31/03/2019 RM'000	(AUDITED) As At 31/12/2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	589,617	524,328
Right-of-use - property, plant and equipment	3,094	-
Investment properties	1,975,589	2,059,406
Right-of-use - investment properties	87,395	-
Inventories - land held for property development	12,879,710	12,720,220
Intangible asset	14,617	14,793
Investments in associated companies	548,235	540,648
Investments in joint ventures	2,945,017	2,736,896
Other investments	96	96
Other receivables, deposits and prepayments	-	76,954
Deferred tax assets	245,880	240,052
	19,289,250	18,913,393
Current assets		
Trade receivables	791,189	840,931
Contract assets	1,230,785	1,065,152
Other receivables, deposits and prepayments	331,301	327,852
Inventories - property development costs	3,461,511	3,418,097
Inventories - completed properties and others	1,476,854	1,586,946
Amounts owing by joint ventures	166,384	167,717
Amounts owing by associated companies	479	450
Amounts owing by related companies	-	811
Current tax assets	138,596	131,991
Short-term funds	1,126,488	1,082,940
Short-term deposits	327,095	402,552
Cash and bank balances	1,136,854	1,398,060
	10,187,536	10,423,499
TOTAL ASSETS	29,476,786	29,336,892
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8,252,253	8,252,253
Share capital - RCPS-i A	1,087,363	1,087,363
Share capital - RCPS-i B	1,044,753	1,044,753
Reserves		
Share-based payment reserve	160,666	140,987
Reserve on acquisition arising from common control	(1,295,884)	(1,295,884)
Exchange translation reserve	(12,132)	(50,058)
Retained earnings	5,016,016	4,964,351
Equity attributable to owners of the Company	14,253,035	14,143,765
Non-controlling interests	1,401,104	1,376,263
Total equity	15,654,139	15,520,028
LIABILITIES		
Non-current liabilities		
Redeemable cumulative preference shares	69,835	69,292
Other payables and accruals	37,851	35,534
Long-term borrowings	8,517,888	7,947,130
Deferred tax liabilities	471,511	470,829
	9,097,085	8,522,785
Current liabilities		
Trade payables	1,586,396	1,747,302
Contract liabilities	41,075	28,071
Other payables and accruals	662,566	973,361
Short-term borrowings	2,411,296	2,517,735
Current tax liabilities	24,081	26,267
Amounts owing to related companies	148	1,343
	4,725,562	5,294,079
Total liabilities	13,822,647	13,816,864
TOTAL EQUITY AND LIABILITIES	29,476,786	29,336,892
Net assets per share attributable to owners of the Company	3.06	3.03

(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 31 MARCH 2019

(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2019 RM'000	31/03/2018 RM'000 Restated
Revenue	864,907	655,502
Cost of sales	(619,190)	(456,329)
Gross profit	245,717	199,173
Other income	47,412	66,720
Selling and marketing expenses	(20,580)	(17,604)
Administrative and general expenses	(88,684)	(91,970)
Share of results of joint ventures	(8,050)	(13,739)
Share of results of associated companies	6,525	4,827
Finance costs	(56,262)	(53,011)
Profit before tax	126,078	94,396
Taxation	(48,396)	(13,952)
Profit for the period	77,682	80,444
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	37,913	(101,103)
Total comprehensive income for the period	115,595	(20,659)
Profit attributable to:		
Holders of Perpetual bond	-	8,935
Non-controlling interests	24,854	10,023
	24,854	18,958
Owners of the Company	52,828	61,486
	77,682	80,444
Total comprehensive income attributable to:		
Holders of Perpetual bond	-	8,935
Non-controlling interests	24,841	9,952
	24,841	18,887
Owners of the Company	90,754	(39,546)
	115,595	(20,659)
Earnings per share attributable to equity holders of the Company		
- Basic earnings per share (sen)	1.33	1.70
- Diluted earnings per share (sen)	1.15	1.44

(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)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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	-	-	-	-	-	37,926	-	37,926	-	(13)	37,913
Profit for the period	-	-	-	-	-	-	52,828	52,828	-	24,854	77,682
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	19,679	-	-	-	19,679	-	-	19,679
Balance at 31.03.2019	8,252,253	1,087,363	1,044,753	160,666	(1,295,884)	(12,132)	5,016,016	14,253,035	-	1,401,104	15,654,139
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	-	-	-	-	-	(101,032)	-	(101,032)	-	(71)	(101,103)
Profit for the period	-	-	-	-	-	-	61,486	61,486	-	10,023	71,509
Distribution for the period	-	-	-	-	-	-	-	-	8,935	-	8,935
Transactions with owners:											
Issuance of ordinary shares											
- New placement	997,750	-	-	-	-	-	-	997,750	-	-	997,750
- Exercise of Employees' Share Options Scheme ("ESOS")	1,631	-	-	(278)	-	-	-	1,353	-	-	1,353
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	(10,752)	-	-	-	-	-	-	(10,752)	-	-	(10,752)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	34,710	-	-	-	34,710	-	-	34,710
Balance at 31.03.2018 (restated)	7,689,607	1,114,715	1,062,228	128,882	(1,295,884)	35,884	5,046,730	13,782,162	619,722	1,303,845	15,705,729

(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)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2019	**31/03/2018**
	RM'000	**RM'000**
		Restated
Operating Activities		
Profit before tax	126,078	94,396
Adjustments for:-		
Non-cash items	57,911	31,449
Non-operating items	25,558	8,927
Operating profit before changes in working capital	209,547	134,772
Changes in inventories - property development costs	(64,829)	(180,983)
Changes in inventories - completed properties and others	120,932	113,607
Changes in contract assets/liabilities	(147,673)	101,919
Changes in receivables	53,220	304,975
Changes in payables	(277,858)	(182,471)
Cash (used in)/generated from operations	(106,661)	291,819
Rental received	5,459	3,259
Interest received	11,887	16,960
Net tax paid	(62,309)	(74,154)
Net cash (used in)/generated from operating activities	(151,624)	237,884
Investing Activities		
Additions to inventories - land held for property development	(147,498)	(220,560)
Additions to property, plant and equipment	(19,405)	(17,353)
Additions to investment properties	(4,216)	(89,062)
Proceeds from disposal of property, plant and equipment	119	206
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)
Acquisition of additional shares in existing joint ventures	(176,705)	(109,084)
Capital contribution to a joint venture	-	(269)
Advances to an associated company	(29)	-
Advances to joint ventures	(1,450)	(35,525)
Withdrawal from/(placement of) sinking fund, debt service reserve, escrow accounts and short-term deposits	24,872	(8,493)
Interest received	8,858	19,852
Rental received	4,474	4,012
Net cash used in investing activities	(310,980)	(3,988,601)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2019 RM'000	31/03/2018 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	-	1,353
Refund of excess application proceeds from rights issue of shares and RCPS-i B	-	(310,412)
Payment of share issuance expenses	-	(10,752)
Payment for amount due to non-controlling shareholder for acquisition of land	(125,000)	-
Drawdown of bank borrowings	844,092	2,028,273
Repayment of bank borrowings	(437,731)	(350,046)
Repayment of lease liabilities	(212)	-
Interest paid	(122,869)	(104,560)
Net cash from financing activities	158,280	2,251,606
Net changes in cash and cash equivalents	(304,324)	(1,499,111)
Effect of exchange rate changes	(4,813)	(16,167)
Cash and cash equivalents at beginning of the period	2,810,055	5,530,062
Cash and cash equivalents at end of the period	2,500,918	4,014,784
Cash and cash equivalents comprise the following:		
Short-term funds	1,126,488	1,876,489
Short-term deposits	327,095	460,806
Cash and bank balances	1,136,854	1,762,576
Bank overdrafts	(63,229)	(48,701)
	2,527,208	4,051,170
Less: Amount restricted in sinking fund, debt service reserve, escrow accounts and short-term deposits	(26,290)	(36,386)
	2,500,918	4,014,784

(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	4,963,188

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 31 March 2019.

4. **Material Changes in Estimates**

There were no material changes in estimates for the financial period ended 31 March 2019.

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) 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.

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.

6. **Dividends Paid (continued)**

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 31 March 2019 is as follows:-

	Property Development RM'000	Construction RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
External revenue	797,591	23,627	43,689	-	864,907
Inter-segment revenue	52,334	113,948	14,545	(180,827)	-
Total revenue	849,925	137,575	58,234	(180,827)	864,907
Gross profit	239,134	1,596	4,987	-	245,717
Other income	37,534	55	9,823	-	47,412
Operating expenses	(101,591)	(2,555)	(5,118)	-	(109,264)
Share of results of joint ventures	(9,423)	-	1,373	-	(8,050)
Share of results of associated companies	6,525	-	-	-	6,525
Finance costs	(48,730)	(66)	(7,466)	-	(56,262)
Profit/(loss) before tax	123,449	(970)	3,599	-	126,078
Taxation					(48,396)
Profit for the period					77,682

8. **Material Events Subsequent to the End of Financial Period**

There were no material transactions or events subsequent to the financial period ended 31 March 2019 till 2 May 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 31 March 2019.

10. **Contingent Liabilities**

The following are the status updates on the contingent liabilities of the Group as at the financial period ended 31 March 2019 till 2 May 2019 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report):

10. **Contingent Liabilities (continued)**

(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. The matter came up for Case Management on 23 April 2019 before YA Dato' Ahmad Zaidi bin Ibrahim at NCvC 6 and the matter is now fixed for further case management on 24 May 2019 for Pre-Trial Directions and other matters. Given the court's busy schedule at the request of Boustead, Court fixed Trial/Hearing of this matter from 1 April 2020 to 3 April 2020.

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 31 Mar 2019 RM'000
Commitments of subsidiary companies:-	
Contractual commitments for acquisition of development land	54,444
Contractual commitments for construction of investment properties	84,322
Contractual commitments for construction of property, plant and equipment	176,141
Share of commitments of joint ventures:-	
Contractual commitments for acquisition of development land	112,874
Contractual commitments for construction of investment properties	84,907

12. Significant Related Party Transactions

	1 Jan 2019 to 31 Mar 2019 RM'000
Transactions with joint ventures:-	
(i) Management fee received and receivable	379
(ii) Event service fee received and receivable	63
(iii) Rental received and receivable	109
(iv) Rental paid and payable	38
(v) Staff secondment fee received and receivable	137
(vi) Interest received and receivable	412

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 are analysed as follows:-

	3 Months Ended	
	31 Mar 2019	**31 Mar 2018**
	RM'000	**RM'000**
Revenue		
Property Development	797,591	594,484
Construction	23,627	24,537
Other Operations	43,689	36,481
	864,907	655,502
Profit/(Loss) before tax		
Property Development	123,449	85,100
Construction	(970)	(208)
Other Operations	3,599	9,504
	126,078	94,396

Property Development

The Group achieved revenue of RM797.6 million and PBT of RM123.4 million in the current quarter. Both revenue and PBT for the current quarter is higher than the preceding year corresponding quarter mainly due to progressive revenue recognition from strong take-up rates in the final quarter of FY2018 from our mature townships in Central and Southern region with a combined sales of RM1.63 billion or 32% of the total sales achieved for FY2018.

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*** and ***Setia EcoHill 2*** 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 II, Setia Eco Gardens, 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 and ***Daintree Residence*** in Singapore.

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

Construction

Revenue for the current quarter is 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.

Lower PBT in Other Operations for the current quarter mainly due to finance costs being expensed into profit or loss following the completion of construction of investment properties which is in line with MFRS 123 *Borrowing Costs*.

2. **Material Changes in the Quarterly Results compared to the results of the Preceding Quarter**

The Group's PBT for the current quarter ("Q1 2019") of RM126.1 million is lower than the PBT for the preceding quarter ("Q4 2018") of RM204.1 million mainly due to foreign exchange difference arising from the translation of certain Pound Sterling denominated loan facilities. In Q4 2018, the Group benefitted from foreign exchange gain of RM34.5 million where in comparison, it registered a translation loss of RM32.1 million in Q1 2019.

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

For the first quarter of FY2019, the Group secured sales of RM718 million. Local projects contributed RM678 million, which represented approximately 94% of the total sales while international projects contributed RM40 million or approximately 6% of the total sales. The sales secured were largely from Central region with RM474.8 million while the Southern and Northern regions combined, contributed RM202.3 million. As for the international projects, the sales contribution were relatively lower as there were no new projects launched during the first quarter. UNO Melbourne in Australia and Daintree Residence in Singapore which were launched last year contributed RM33.3 million of sales in total. While we anticipated the first quarter to be a slower period for the local property market where it coincides with the holiday break in February, the sales achieved thus far was lower than expected. The 'wait-and-see' attitude still lingers as purchasers are awaiting for positive leads for the property market to recover. In the current first quarter, we had launched approximately RM339 million Gross Development Value ("GDV"), largely comprised of landed properties. However, despite the lacklustre property market, there is still strong demand for landed residential properties from owner occupiers looking to settle down in established township. For instance, the launch of Clarino, a phase of double-storey terrace houses priced from RM649,000 onwards in the matured township of Alam Impian in March 2019 achieved a commendable take-up rate of 98% within a month.

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

On 14 March 2019, S P Setia's 40% owned jointly controlled company, Battersea Phase 2 Holding Company Limited ("BPS") had completed the sale of the commercial assets in Phase 2 of the Battersea Power Station development for a base consideration of £1.58 billion (approximately RM8.51 billion). BPS had received an initial payment of £676.1 million (approximately RM3.64 billion), which is the base consideration attributable to the percentage of completion to date. The balance is payable progressively over the remaining construction period. The deal structure also includes an agreed price adjustment mechanism applicable at the end of the 5th year after the practical completion of the commercial assets, which is intended for BPS to benefit from the commercial assets' upside income growth over the 5 years period post practical completion.

The Group is monitoring the property market closely and with the pipeline of diversified products, mainly concentrated on landed residential properties, we will roll out more launches the moment the property market picks up. For the remaining part of the financial year, the Group has planned a total of RM6.47 billion worth of launches, focusing in Klang Valley with RM4.65 billion and Johor with RM1.12 billion worth of launches. In Klang Valley, the planned major launches are in Setia Alam, Bandar Kinrara, Alam Impian, Setia Alamsari, Temasya Glenmarie, Setia Tropicale, Setia Ecohill 2, KL Eco City and Setia Sky Seputeh – Tower B, while in Johor, the planned major launches are in Setia Tropika, Bukit Indah Johor, Setia Eco Gardens and Taman Industri Jaya. Over in Penang, following the well-received launches of the shop offices last year, Setia Fontaines planned to launch approximately RM349 million worth of GDV where the much anticipated landed residential properties, priced from RM330,000 onwards will be unveiled.

The Group is anchored by 45 ongoing projects with 9,477 acres of effective land banks remaining and potential GDV of RM145.90 billion. Prospects going forward remain positive with total unbilled sales of RM10.95 billion as at 31 March 2019. Given the versatility of the planned launches in the pipeline as well as many campaigns and initiatives in place to promote home ownerships, the Group is still working towards the sales target of RM5.65 billion for the current financial year.

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

Not applicable as no profit forecast was published.

5. **Income Tax**

	3 Months Ended	
	31 Mar 2019 RM'000	**31 Mar 2018 RM'000**
Taxation		
- current taxation	53,576	28,179
- deferred taxation	(5,180)	(14,227)
	48,396	13,952

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 2 May 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 31 March 2019 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Bank Borrowings	1,148,193	1,263,103	2,411,296
Long Term Bank Borrowings	4,877,970	3,639,918	8,517,888
Redeemable Cumulative Preference Shares	-	69,835	69,835
	6,026,163	4,972,856	10,999,019

Currency exposure profile of borrowings is as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Malaysian Ringgit	5,240,635	3,468,438	8,709,073
Great British Pound	-	1,504,418	1,504,418
Singapore Dollar	581,325	-	581,325
Australian Dollar	189,991	-	189,991
United States Dollar	14,212	-	14,212
	6,026,163	4,972,856	10,999,019

8. Material Litigation

Except for the contingent liabilities disclosed above, the Group was not engaged in any material litigation as at 2 May 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

No interim dividend has been declared in respect of the financial period ended 31 March 2019.

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 by the weighted average number of shares in issue. The weighted average number of shares in issue is calculated as follows:-

	3 Months Ended	
	31 Mar 2019	**31 Mar 2018**
	'000	**'000**
Profit for the period attributable to owners of the Company (RM)	52,828	61,486
Number of ordinary shares at beginning of the period	3,958,563	3,427,783
Effect of shares issued pursuant to:		
- Exercise of ESOS	-	294
- Conversion of RCPS-i A into ordinary shares	-	137
- Conversion of RCPS-i B into ordinary shares	-	65
- Placement of new ordinary shares	-	180,556
Weighted average number of ordinary shares	3,958,563	3,608,835
Basic Earnings Per Share (sen)	1.33	1.70

The diluted earnings per share has been calculated by dividing the Group's profit for the period attributable to owners of the Company 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, 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:

	3 Months Ended	
	31 Mar 2019	**31 Mar 2018**
	'000	**'000**
Profit for the period attributable to owners of the Company (RM)	52,828	61,486
Weighted average number of ordinary shares as per basic Earnings Per Share	3,958,563	3,608,835
Effect of potential exercise of LTIP	25,876	37,962
Effect of potential conversion of RCPS-i A	322,088	330,180
Effect of potential conversion of RCPS-i B	282,671	287,399
Weighted average number of ordinary shares	4,589,198	4,264,376
Diluted Earnings Per Share (sen)	1.15	1.44

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

	3 Months Ended	
	31 Mar 2019	**31 Mar 2018**
	RM'000	**RM'000**
		Restated
Interest income	25,160	36,811
Other income including investment income	22,192	12,703
Interest expense	(56,262)	(53,011)
Depreciation and amortisation	(6,683)	(5,536)
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	60	6,901
Impairment of assets	-	-
Fair value gain on investment properties	-	4,843
Net foreign exchange (loss)/gain	(32,143)	5,462
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.