

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

Interim Financial Report
30 September 2020

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Interim Financial Report - 30 September 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 SEPTEMBER 2020
(The figures have not been audited)

	(UNAUDITED) As At 30/09/2020 RM'000	(AUDITED) As At 31/12/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	682,377	639,630
Right-of-use - property, plant and equipment	2,633	3,613
Investment properties	2,032,854	2,006,439
Right-of-use - investment properties	69,085	75,853
Inventories - land held for property development	12,624,516	12,337,053
Intangible asset	13,561	14,089
Investments in joint ventures	2,630,140	2,979,178
Investments in associated companies	568,967	560,090
Other investments	96	96
Amounts owing by joint ventures	69,785	69,785
Trade receivables	28,673	30,249
Other receivables, deposits and prepayments	70,560	66,017
Deferred tax assets	344,902	284,666
	<u>19,138,149</u>	<u>19,066,758</u>
Current assets		
Trade receivables	865,623	722,003
Contract assets	1,195,120	1,077,886
Other receivables, deposits and prepayments	245,424	212,277
Inventories - property development costs	3,296,837	3,125,909
Inventories - completed properties and others	1,050,984	1,444,115
Contract cost assets	1,326,138	1,177,645
Amounts owing by joint ventures	82,637	85,104
Amounts owing by associated companies	661	590
Amounts owing by related companies	135	930
Current tax assets	60,008	69,421
Short-term funds	1,250,312	1,676,226
Short-term deposits	118,257	179,503
Cash and bank balances	1,083,628	1,204,348
	<u>10,575,764</u>	<u>10,975,957</u>
TOTAL ASSETS	<u>29,713,913</u>	<u>30,042,715</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8,468,201	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	131,044	144,721
Reserve on acquisition arising from common control	(1,295,884)	(1,295,884)
Exchange translation reserve	(1,188)	(27,162)
Retained earnings	4,423,546	4,972,532
Equity attributable to owners of the Company	<u>13,848,386</u>	<u>14,349,195</u>
Non-controlling interests	1,417,007	1,432,647
Total equity	<u>15,265,393</u>	<u>15,781,842</u>
LIABILITIES		
Non-current liabilities		
Redeemable cumulative preference shares	37,618	37,006
Other payables and accruals	80,874	90,874
Long-term borrowings	9,205,462	8,838,769
Lease liabilities	1,910	2,404
Deferred tax liabilities	466,387	455,575
	<u>9,792,251</u>	<u>9,424,628</u>
Current liabilities		
Redeemable cumulative preference shares	-	32,413
Trade payables	1,504,639	1,592,878
Contract liabilities	159,750	158,966
Other payables and accruals	659,090	688,592
Short-term borrowings	2,285,104	2,330,399
Lease liabilities	845	1,288
Current tax liabilities	46,462	30,591
Amounts owing to related companies	379	1,118
	<u>4,656,269</u>	<u>4,836,245</u>
Total liabilities	<u>14,448,520</u>	<u>14,260,873</u>
TOTAL EQUITY AND LIABILITIES	<u>29,713,913</u>	<u>30,042,715</u>
Net assets per share attributable to owners of the Company	<u>2.89</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 SEPTEMBER 2020
(The figures have not been audited)

	3 MONTHS ENDED		9 MONTHS ENDED	
	30/09/2020 RM'000	30/09/2019 RM'000 Restated	30/09/2020 RM'000	30/09/2019 RM'000 Restated
Revenue	1,080,472	932,068	2,114,454	3,132,705
Cost of sales				
- Operational cost of sales	(838,534)	(640,806)	(1,564,159)	(2,265,118)
- Reversal/(Impairment) of completed inventories	3,480	-	(142,430)	-
Gross profit	<u>245,418</u>	<u>291,262</u>	<u>407,865</u>	<u>867,587</u>
Other income	28,065	68,313	117,128	164,547
Selling and marketing expenses	(13,576)	(18,702)	(36,041)	(56,389)
Administrative and general expenses	(92,666)	(123,411)	(257,449)	(312,640)
Share of results of joint ventures	(343,566)	(6,465)	(360,129)	(23,004)
Share of results of associated companies	6,458	3,559	6,889	19,119
Finance costs	(49,165)	(59,825)	(155,638)	(177,261)
(Loss)/Profit before tax	<u>(219,032)</u>	<u>154,731</u>	<u>(277,375)</u>	<u>481,959</u>
Taxation	(24,962)	(39,571)	(49,532)	(141,535)
(Loss)/Profit for the period	<u>(243,994)</u>	<u>115,160</u>	<u>(326,907)</u>	<u>340,424</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	23,474	(63,708)	25,990	(64,290)
Total comprehensive income for the period	<u>(220,520)</u>	<u>51,452</u>	<u>(300,917)</u>	<u>276,134</u>
(Loss)/Profit attributable to:				
Owners of the Company	(263,427)	84,548	(376,513)	273,594
Non-controlling interests	19,433	30,612	49,606	66,830
	<u>(243,994)</u>	<u>115,160</u>	<u>(326,907)</u>	<u>340,424</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(239,910)	20,828	(350,539)	209,292
Non-controlling interests	19,390	30,624	49,622	66,842
	<u>(220,520)</u>	<u>51,452</u>	<u>(300,917)</u>	<u>276,134</u>
Earnings per share attributable to owners of the Company				
- Basic (loss)/earnings per share (sen)	<u>(8.12)</u>	<u>0.46</u>	<u>(12.57)</u>	<u>3.53</u>
- Diluted (loss)/earnings per share (sen)	<u>(8.08)</u>	<u>0.46</u>	<u>(12.50)</u>	<u>3.50</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 SEPTEMBER 2020
(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	Non- controlling Interests RM'000	Total Equity RM'000
Balance at 01.01.2020	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	-	-	-	-	-	25,974	-	25,974	16	25,990
Loss for the period	-	-	-	-	-	-	(376,513)	(376,513)	49,606	(326,907)
Transactions with owners:										
Issuance of ordinary shares										
- Vesting of Employee Share Grant Plan ("ESGP")	35,880	-	-	(35,880)	-	-	-	-	-	-
RCPS-i A preferential dividends paid	-	-	-	-	-	-	(70,654)	(70,654)	-	(70,654)
RCPS-i B preferential dividends paid	-	-	-	-	-	-	(61,394)	(61,394)	-	(61,394)
Dividends paid	-	-	-	-	-	-	(40,425)	(40,425)	(65,262)	(105,687)
Share-based payment under Employee Long Term Incentive Plan ("LTIP")	-	-	-	22,203	-	-	-	22,203	-	22,203
Balance at 30.09.2020	8,468,201	1,087,363	1,035,304	131,044	(1,295,884)	(1,188)	4,423,546	13,848,386	1,417,007	15,265,393
Balance at 01.01.2019	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	-	-	-	-	-	(64,302)	-	(64,302)	12	(64,290)
Profit for the period	-	-	-	-	-	-	273,594	273,594	66,830	340,424
Transactions with owners:										
Issuance of ordinary shares										
- Dividend Reinvestment Plan ("DRP")	141,331	-	-	-	-	-	-	141,331	-	141,331
- Vesting 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 (restated)	8,432,321	1,087,363	1,035,304	157,877	(1,295,884)	(114,360)	4,879,601	14,182,222	1,431,677	15,613,899

(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
 (Company No.: 197401002663 (19698-X))
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020
(The figures have not been audited)

	9 MONTHS ENDED	
	30/09/2020	30/09/2019
	RM'000	RM'000
		Restated
Operating Activities		
(Loss)/Profit before tax	(277,375)	481,959
Adjustments for:-		
Non-cash items	535,633	48,807
Non-operating items	66,076	71,445
Operating profit before changes in working capital	<u>324,334</u>	<u>602,211</u>
Changes in inventories - property development costs and contract cost assets	(191,179)	(151,545)
Changes in inventories - completed properties and others	331,917	292,003
Changes in contract assets/liabilities	(102,326)	128,078
Changes in receivables	(164,432)	400,197
Changes in payables	(157,769)	(324,220)
Cash generated from operations	<u>40,545</u>	<u>946,724</u>
Rental received	7,970	8,379
Interest received	21,245	37,434
Interest paid on lease liabilities	(90)	(77)
Net tax paid	(71,178)	(42,105)
Net cash (used in)/generated from operating activities	<u>(1,508)</u>	<u>950,355</u>
Investing Activities		
Additions to inventories - land held for property development	(337,012)	(469,238)
Additions to property, plant and equipment	(62,349)	(63,106)
Additions to investment properties	(3,460)	(20,525)
Proceeds from disposal of property, plant and equipment	243	11,035
Proceeds from disposal of investment properties	6,221	-
Net cash inflow arising from liquidation of subsidiary companies	-	160
Acquisition of additional shares in existing joint ventures	(24,000)	(190,955)
Advances to an associated company	(72)	(126)
Repayment from joint ventures	2,985	7,670
Withdrawal from/(placement of) sinking fund, debt service reserve, escrow accounts and short-term deposits	4,366	(5,990)
Dividends received from associated companies	3,270	2,045
Interest received	29,559	32,098
Rental received	25,273	23,227
Net cash used in investing activities	<u>(354,976)</u>	<u>(673,705)</u>
Financing Activities		
Payment of share issuance expenses	-	(156)
Repayment to non-controlling shareholder of subsidiary company	-	(125,000)
Drawdown of bank borrowings	1,453,854	1,799,261
Repayment of bank borrowings	(1,143,403)	(1,030,314)
Repayment of lease liabilities	(965)	(718)
Interest paid	(323,444)	(383,487)
Transaction cost on borrowings paid	(960)	-
Redeemable cumulative preference share dividends paid to non-controlling interests	(1,272)	(2,322)
Dividends paid to non-controlling interests	(65,262)	(11,122)
Dividends paid	(40,425)	(38,900)
RCPS-i A preferential dividends paid	(70,654)	(70,654)
RCPS-i B preferential dividends paid	(61,394)	(61,674)
Net cash (used in)/generated from financing activities	<u>(253,925)</u>	<u>74,914</u>

S P SETIA BERHAD
 (Company No.: 197401002663 (19698-X))
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020
(The figures have not been audited)

	9 MONTHS ENDED	
	30/09/2020	30/09/2019
	RM'000	RM'000
		Restated
Net changes in cash and cash equivalents	(610,409)	351,564
Effect of exchange rate changes	3,305	(7,193)
Cash and cash equivalents at beginning of the period	2,955,811	2,810,055
Cash and cash equivalents at end of the period	<u>2,348,707</u>	<u>3,154,426</u>
Cash and cash equivalents comprise the following:		
Short-term funds	1,250,312	1,850,602
Short-term deposits	118,257	218,761
Cash and bank balances	1,083,628	1,167,615
Bank overdrafts	(27,191)	(25,400)
	<u>2,425,006</u>	<u>3,211,578</u>
Less: Amount restricted in sinking fund, debt service reserve, escrow accounts and short-term deposits	(76,299)	(57,152)
	<u>2,348,707</u>	<u>3,154,426</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.

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

The Group accounted for two unusual impairment provisions for the financial period ended 30 September 2020 as follows:

- An impairment provision for completed inventories of RM142.4 million in Q2 2020; and
- Equity accounted for its 40% share of impairment recognised by the Group’s joint venture company, Battersea Project Holding Co. Ltd (“BPHC”), on its work in progress and inventories under development, of RM336.3 million.

The afore-mentioned impairment provisions do not have any impact on the Group cash flow. They are further elaborated in the ensuing sections of this report.

4. Material Changes in Estimates

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

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 and another semi-annual RCPS-i A preferential dividend of RM35,326,945, in respect of the financial period from 1 January 2020 to 30 June 2020 were paid in cash on 1 April 2020 and 23 September 2020 respectively.

c) Islamic Redeemable Convertible Preference Shares (“RCPS-i B”) preferential dividend in respect of the financial period from 1 July 2019 to 30 June 2020

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 and another semi-annual RCPS-i B preferential dividend of RM30,696,750, in respect of the financial period from 1 January 2020 to 30 June 2020 were paid in cash on 1 April 2020 and 23 September 2020 respectively.

7. Segmental Reporting

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

	Property Development RM'000	Construction RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
External revenue	1,980,686	17,088	116,680	-	2,114,454
Inter-segment revenue	105,870	209,564	17,977	(333,411)	-
Total revenue	2,086,556	226,652	134,657	(333,411)	2,114,454
Gross profit/(loss) before impairment of completed inventories	549,913	(7,240)	7,622	-	550,295
Impairment of completed inventories	(142,430)	-	-	-	(142,430)
Gross profit/(loss)	407,483	(7,240)	7,622	-	407,865
Other income	106,935	207	9,986	-	117,128
Operating expenses	(272,281)	(6,027)	(15,182)	-	(293,490)
Share of results of joint ventures	(361,880)	-	1,751	-	(360,129)
Share of results of associated companies	6,889	-	-	-	6,889
Finance costs	(134,606)	(1,997)	(19,035)	-	(155,638)
Loss before tax	(247,460)	(15,057)	(14,858)	-	(277,375)
Taxation					(49,532)
Loss for the period					(326,907)

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 2020 till 6 November 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 Setia Precast Sdn Bhd ("Setia Precast") and Manih System Construction Sdn Bhd ("Manih") which both parties were formerly wholly-owned subsidiaries of Setia Prefab Sdn Bhd ("Setia Prefab") are now directly owned by SP Setia Berhad due to the liquidation of 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 status update on the contingent liabilities of the Group as at the financial period ended 30 September 2020 till 6 November 2020 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report) is as set out herein.

Setia Fontaines Sdn Bhd (“Setia Fontaines”) entered into a Sale and Purchase Agreement with CIMB Islamic Trustee Berhad (“the 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 (“Exempt Order”) 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 (“Main Trial”) 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 which was previously fixed for Trial from 1 April 2020 to 3 April 2020 has been rescheduled to 26 April 2021, 27 April 2021 and 28 April 2021.

Further to the decision made by the Director General of Customs, on behalf of the Minister of Finance (“MoF”), pursuant to a delegation of authority made by the MoF to the Custom, that the portions of the Lands scheduled for commercial development was subject to GST (“GST Decision”), Setia Fontaines filed an application for Judicial Review (“JR”) to, among others, quash the GST Decision. The matter came up for Hearing on 29 July 2020 and the decision was made on 11 September 2020 whereby Setia Fontaines was successful in its application for JR.

In summary, the High Court held that:

- (1) that the Lands acquired by Setia Fontaines was an exempt supply, as at the relevant time of supply, the Lands were used for oil palm plantations and zoned as agricultural land;
- (2) under the Exempt Order, there is no express provision for delegation by the MoF and that the MoF must exercise its power personally; and accordingly it was not empowered to delegate its authority to the Director General of Customs to make the GST Decision.

10. Contingent Liabilities (continued)

The MoF and Customs, as respondents in the JR proceedings, did not file any notice of appeal against the decision of the High Court and the right to appeal expired on 12 October 2020.

As for the Main Trial, the Case Management which was fixed on 17 September 2020 was postponed to 2 October 2020 where parties updated the trial judge that Setia Fontaines' JR application was decided in favour of Setia Fontaines. The trial judge had fixed the matter for further Case Management on 9 November 2020 on request of Boustead for parties to update whether MoF or Customs have filed any notice of appeal to the Court of Appeal. Due to Conditional Movement Control Order, the Case Management has now been vacated to 4 December 2020.

Given that no notice of appeal was filed by the MoF and Customs and the right of appeal has expired, Boustead and the Trustee no longer have any basis to pursue its suit against Setia Fontaines.

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 2020 RM'000
<i>Commitments of subsidiary companies:-</i>	
Contractual commitments for construction of investment properties	37,742
Contractual commitments for acquisition and construction of property, plant and equipment	<u>89,023</u>
<i>Share of commitments of joint ventures:-</i>	
Contractual commitments for acquisition of development land	113,016
Contractual commitments for construction of investment properties	<u>13,649</u>

12. Significant Related Party Transactions

**1 Jan 2020
to
30 September 2020
RM'000**

Transactions with joint ventures:-

(i) Management fee received and receivable	685
(ii) Event and marketing fee received and receivable	87
(iii) Rental received and receivable	474
(iv) Rental paid and payable	75
(v) Staff secondment fee received and receivable	362
(vi) Interest received and receivable	2,042
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Transactions with directors of the Company and subsidiary companies:-

(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
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**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:-

	Q3 2020 RM'000	Q3 2019 RM'000 Restated	PTD 2020 RM'000	PTD 2019 RM'000 Restated
Revenue				
Property Development	1,022,514	865,664	1,980,686	2,936,427
Construction	7,052	13,160	17,088	52,529
Other Operations	50,906	53,244	116,680	143,749
	<u>1,080,472</u>	<u>932,068</u>	<u>2,114,454</u>	<u>3,132,705</u>
Profit/(Loss) before tax				
Property Development				
Before impairment of completed inventories in Malaysia and work-in progress development at Battersea Power Station, London ("BPS")	132,231	153,944	231,237	486,427
• Reversal/(Impairment) of completed inventories	3,480	-	(142,430)	-
• Equity accounting of impairment of work in progress development at BPS	(336,267)	-	(336,267)	-
After impairment of completed inventories in Malaysia and work-in progress development at BPS	(200,556)	153,944	(247,460)	486,427
Construction	(12,359)	610	(15,057)	(1,323)
Other Operations	(6,117)	177	(14,858)	(3,145)
	<u>(219,032)</u>	<u>154,731</u>	<u>(277,375)</u>	<u>481,959</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q3 2020 vs Q3 2019)

Property Development

The Group's property development segment achieved revenue of RM1.02 billion in Q3 2020. The revenue for Q3 2020 is higher than Q3 2019 by approximately 18%, which among others, attributable to the overall better sales take up in Malaysia post Movement Control Order period and the higher sales registered at the Daintree Residence project in Singapore.

Overall, the Group achieved RM2.26 billion sales for the PTD 2020. Out of the said RM2.26 billion sales, RM462.0 million was derived from the clearance of completed inventories. It is worth noting that despite the disruption caused by the Movement Control Order, the Group cleared RM462.0 million worth of completed inventories during the PTD 2020, more than it did in PTD 2019 of RM447.0 million.

1. Review of Group Performance (continued)

(a) Performance of the current quarter against the same quarter in the preceding year (Q3 2020 vs Q3 2019) (continued)

Property Development (continued)

As at 31 October 2020, the Group sales achieved is RM2.86 billion and still has a pipeline of RM1.67 billion secured bookings pending conversion to sales. This reflects the strong demand for the right product offerings of the Group.

In view of the challenges presented by the Covid-19 pandemic in London and specifically the impact on the delivery of the BPS project impacted by the social distancing measures and lockdown, our 40% owned joint venture company, BPHC had resolved to recognise an impairment of its work in progress and inventories under development. The Group's 40% share of the said impairment recognised by BPHC amounted to £62.4 million (RM336.3 million). Nonetheless, it is encouraging to note that the BPS project continued to maintain residential sales momentum and commendable progress in leasing its commercial spaces.

Despite the impairment, it is important to note that BPHC sold a large part of its development scheme, comprises retail and office space in its Phase 2 development in 2019, with rental guarantee, at a base price of £1.58 billion plus a price adjustment in the 5th year of their practical completion (based on a fixed formula and the rental performance achieved for the said asset then), a term structured to benefit BPHC from an upside should the rental performance of the asset exceeds the rental guarantee in that year. However, as the aforesaid variable consideration is contingent on a future outcome, it will only be recognised when it can be reliably measured in the future.

Excluding the said equity accounting of impairment recognised by BPHC, the Group's profit before tax for the Property Development segment for Q3 2020 would have been RM135.7 million.

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.

The Group's construction segment recorded revenue of RM7.1 million and loss before tax of RM12.4 million in Q3 2020. Loss before tax of RM12.4 million in Q3 2020 mainly arising from additional rectification and equipment maintenance costs incurred for substantially completed construction projects.

1. Review of Group Performance (continued)

(a) Performance of the current quarter against the same quarter in the preceding year (Q3 2020 vs Q3 2019) (continued)

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.

The operational activities of our investment properties such as convention centres were heavily impacted by the Recovery Movement Control Order (“RMCO”) rulings, hence recorded a loss before tax of RM6.1 million in Q3 2020.

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

Property Development

The Group’s revenue from the property development segment of RM1.98 billion in PTD 2020 is lower than the corresponding period-to-date in the preceding year, mainly due to the following key factors:

- The site work at all projects came to a standstill during the Movement Control Order (“MCO”) and Conditional Movement Control Order (“CMCO”) period. This had significantly impeded revenue recognition; and
- In the corresponding PTD 2019, the Group completed the sale of its British Embassy land located in Jalan Ampang, Kuala Lumpur for RM449.2 million, which materially lifted the comparative revenue number for PTD 2019.

In addition to the effect of MCO and CMCO on site progress, the Group also took in the following 2 impairment provisions during the PTD 2020, which had impacted its results:

- The Group 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, in Q2 2020 to expedite their clearance and to conserve cash flow. As a result, the Group had to account for an impairment of completed inventories of RM142.4 million in Q2 2020.
- The Group equity account for its 40% share of the impairment provision recognised by BPHC Group, of RM336.3 million in Q3 2020, as reported in afore section.

Whilst the afore-mentioned impairment provisions do not have any impact on the cash flow of the Group, they have in aggregate had a negative impact of RM478.7 million on the results before tax of the Group for the PTD 2020. As a consequence thereof, the Group registered a loss before tax of RM247.5 million from the Property Development segment for the PTD 2020.

Excluding the afore-mentioned impairment provisions, the Group would have a profit before tax of RM231.2 million from the Property Development segment for the PTD 2020.

1. Review of Group Performance (continued)

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

Construction

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

The Group’s construction segment recorded revenue of RM17.1 million and loss before tax of RM15.1 million in PTD 2020. Loss before tax of RM15.1 million in PTD 2020 mainly arising from the additional rectification and equipment maintenance costs incurred for substantially completed construction projects.

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.

The operational activities of our investment properties such as retail malls and convention centres were heavily impacted by the MCO, CMCO and RMCO rulings, hence recorded a loss before tax of RM14.9 million in PTD 2020.

2. Material Changes in the Quarterly Results (“Q3 2020”) compared to the results of the Preceding Quarter (“Q2 2020”)

As aforementioned, the Group’s performance for Q3 2020 was affected by its share of impairment recognised by the BPHC Group, of RM336.3 million.

In Q2 2020, the Group took in an impairment provision for completed inventories of RM142.4 million as part of the Group’s strategy to aggressively reprice its completed inventories at Setia Sky 88 project in Johor Bahru and Setia Sky Vista project in Penang.

Excluding the impact of both the non-cash items above, the Q3 2020 profit before tax would have been RM117.2 million, whilst Q2 2020 results would have been a loss before tax of RM19.9 million. The improvement in Q3 2020 results reflects the gradual recovery of operations during RMCO period.

3. Prospects for the Current Financial Year

For the nine months ended 30 September 2020, the Group secured total sales of RM2.26 billion. Local projects contributed RM1.85 billion or approximately 82% of the sales whilst the remaining RM410.0 million or approximately 18% 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 RM1.36 billion, aided by RM306.0 million contribution from the Southern region while Northern region contributed another RM160.0 million. The total sales secured were also complemented by the concerted effort in clearing completed inventories, whereby RM462.0 million worth of completed inventories were monetised during this period. Notwithstanding the above, our sales registered as at 31 October 2020 stood at RM2.86 billion.

3. Prospects for the Current Financial Year (continued)

As part of its effort to stimulate the national housing sector activities, the Government supported and reintroduced the Home Ownership Campaign (“HOC”) 2020 which was well received by the buyers at large. Additional incentives given, such as uplifting of the loan margin and exemption of RPGT for disposal of residential properties also contributed an uptick in buying interests. Furthermore, the recent OPR cuts by a total of 125bps year-to-date to all time low of 1.75% continue to provide the support needed to the housing demand, particularly in the primary market, as evidenced by a relatively stronger recovery in the growth of loan applications for the purchase of residential properties which are mainly owner occupied and under the affordable segment. The recent Budget 2021 is another extension of the stimulus measures rolled out by the Government whereby all the first-time buyers will get full stamp duty exemption for the memorandum of transfer and for the loan agreement for houses worth up to RM500,000 which will take effect from 1 January 2021 until 31 December 2025. The exemption granted will help to encourage sales to first-time home buyers as it lessens the affordability gap for them.

Despite the uncertain outlook and the economic aftershocks brought about by the Covid-19 pandemic in the ensuing Conditional Movement Control Order (“CMCO”) period, many potential homebuyers are still on hunt for a bargain and to take advantage of the incentives given under current buyers’ market condition. Many potential buyers realised the importance of owning a home that complements their lifestyle and needs under the new norm. This is truly notable and validated by the strong demand as seen in our high secured bookings of RM1.67 billion as at 31 October 2020. Having said that, the Group key focus remains steadfast on the swift conversion of these bookings into sales.

Taking the cue from the current market demand and the buyers’ affordability level, the Group rides on its strong brand presence in several major townships namely Setia Alam, Bandar Kinrara and Alam Impian and launched several landed residential projects in Q3FY2020 with a combined gross development value of approximately RM340.0 million. Take-up rate is strong, especially in the mid-range landed units as proven in some of our projects recent launches. For instance, the 2-storey terrace houses in Alam Impian priced at RM730,000 onwards recorded a 92% take-up rate. And over in Setia Alam, the much anticipated 2-storey terrace houses priced from RM768,000 witnessed a 90% secured bookings rate. Elsewhere in Southern region, Setia Tropika launched its 2-storey cluster homes with encouraging response priced from RM870,000.

In line with the new norm, buyers are increasingly more adaptive and at ease using digital tools and means to source for their new homes. Heeding this paradigm shift, the Group is placing more emphasis on digital marketing initiatives and virtual events to engage its broad-based customers. The Group is also leveraging on targeted social media and messaging applications to assist buyers in their buying process. An app called “Setia On-The-Go” was created to introduce our vast range of properties to the potential homebuyers. Our online presence is further equipped with “Setia Virtual-X”, an online property showcase platform having interactive functions along with combined features such as virtual tours and walk-throughs, virtual events and virtual show units.

The Group is still aiming and believe it has a fair chance to achieve its sales target of RM3.80 billion set for this financial year. Backed by an unbilled sales totalling RM9.82 billion in place, this will sustain the Group for the next two years.

The Group is currently anchored by 48 on-going projects and an effective remaining land banks of 8,653 acres with a Gross Development Value of RM137.44 billion as at 30 September 2020.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

	Q3 2020	Q3 2019	PTD 2020	PTD 2019
	RM'000	RM'000	RM'000	RM'000
Taxation				
- current taxation	32,783	62,343	99,826	174,358
- deferred taxation	(7,821)	(22,772)	(50,294)	(32,823)
	<u>24,962</u>	<u>39,571</u>	<u>49,532</u>	<u>141,535</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 is no corporate proposal that has been announced by the Company which has not completed as at 6 November 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 September 2020 were as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short-term borrowings	1,196,690	1,088,414	2,285,104
Long-term borrowings	5,324,137	3,881,325	9,205,462
Redeemable cumulative preference shares	-	37,618	37,618
	<u>6,520,827</u>	<u>5,007,357</u>	<u>11,528,184</u>

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

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Malaysian Ringgit	5,361,714	3,498,649	8,860,363
Great British Pound	-	1,402,895	1,402,895
Singapore Dollar	586,637	-	586,637
Australian Dollar	529,589	-	529,589
United States Dollar	-	105,813	105,813
Japanese Yen	42,887	-	42,887
	<u>6,520,827</u>	<u>5,007,357</u>	<u>11,528,184</u>

8. Material Litigation

Except for the contingent liabilities disclosed above, the Group was not engaged in any material litigation as at 6 November 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) 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 2020 to 30 June 2020. A total of RM35,326,945 and RM30,696,750 preferential dividends was paid in cash on 23 September 2020.
- (b) No interim dividend has been declared in respect of ordinary share for the financial period ended 30 September 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:-

	Q3 2020 '000	Q3 2019 '000 Restated	PTD 2020 '000	PTD 2019 '000 Restated
(Loss)/Profit attributable to owners of the Company (RM)	(263,427)	84,548	(376,513)	273,594
- RCPS-i A preferential dividends (RM)	(35,327)	(35,327)	(70,654)	(70,654)
- RCPS-i B preferential dividends (RM)	(30,697)	(30,697)	(61,394)	(61,674)
Adjusted (loss)/profit attributable to owners of the Company (RM)	<u>(329,451)</u>	<u>18,524</u>	<u>(508,561)</u>	<u>141,266</u>
Number of ordinary shares at beginning of the period	4,042,482	4,032,499	4,042,482	3,958,563
Weighted average effect of shares issued pursuant to:				
- Vesting of ESGP	12,837	8,897	4,310	2,998
- Conversion of RCPS-i B into ordinary shares	-	-	-	1,695
- Dividend Reinvestment Plan	-	-	-	39,481
Weighted average number of ordinary shares	<u>4,055,319</u>	<u>4,041,396</u>	<u>4,046,792</u>	<u>4,002,737</u>
Basic (loss)/earnings per share (sen)	<u>(8.12)</u>	<u>0.46</u>	<u>(12.57)</u>	<u>3.53</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:-

	Q3 2020 '000	Q3 2019 '000 Restated	PTD 2020 '000	PTD 2019 '000 Restated
(Loss)/Profit attributable to owners of the Company (RM)	(263,427)	84,548	(376,513)	273,594
- RCPS-i A preferential dividends (RM)	(35,327)	(35,327)	(70,654)	(70,654)
- RCPS-i B preferential dividends (RM)	(30,697)	(30,697)	(61,394)	(61,674)
Adjusted (loss)/profit attributable to owners of the Company (RM)	<u>(329,451)</u>	<u>18,524</u>	<u>(508,561)</u>	<u>141,266</u>
Weighted average number of ordinary shares as per Basic Earnings Per Share	4,055,319	4,041,396	4,046,792	4,002,737
Effect of potential exercise of LTIP	20,940	29,481	21,490	30,296
Weighted average number of ordinary shares	<u>4,076,259</u>	<u>4,070,877</u>	<u>4,068,282</u>	<u>4,033,033</u>
Diluted (loss)/earnings per share (sen)	<u>(8.08)</u>	<u>0.46</u>	<u>(12.50)</u>	<u>3.50</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

	Q3 2020	PTD 2020
	RM'000	RM'000
Interest income	16,852	61,643
Other income including investment income	15,266	52,077
Interest expense	(49,165)	(155,638)
Depreciation and amortisation	(7,246)	(21,958)
Provision for and write off of trade and other receivables	(15)	(18)
Reversal/(impairment) of completed inventories	3,480	(142,430)
Net gain/(loss) on disposal of quoted or unquoted investments or properties	5	(697)
Write off of property, plant and equipment	(6)	(6)
Net foreign exchange (loss)/gain	(4,053)	3,408
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.