

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

Interim Financial Report
31 December 2016

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Interim Financial Report - 31 December 2016

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S P SETIA BERHAD
 (Company No: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(The figures have been audited)

	As At 31/12/2016 RM'000	As At 31/12/2015 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	271,508	260,051
Investment Properties	1,015,951	726,378
Land Held for Property Development	5,579,638	5,304,330
Intangible Asset	11,633	7,215
Investments in Associated Companies	121,873	120,217
Investments in Jointly Controlled Entities	1,677,723	1,086,835
Deferred Tax Assets	165,485	126,529
	<u>8,843,811</u>	<u>7,631,555</u>
Current Assets		
Property Development Costs	2,105,675	2,111,798
Inventories	877,905	878,926
Trade and Other Receivables	1,925,326	1,450,540
Gross Amount Due from Customers	3,825	14,189
Amounts Owing by Jointly Controlled Entities	633,669	510,293
Amounts Owing by Associated Companies	138	107
Current Tax Assets	129,464	73,203
Short-Term Deposits	2,704,840	2,019,912
Cash and Bank Balances	1,465,287	1,732,218
	<u>9,846,129</u>	<u>8,791,186</u>
TOTAL ASSETS	<u><u>18,689,940</u></u>	<u><u>16,422,741</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	2,140,140	1,971,266
Share Capital - RCPS-i	11,276	-
Reserves		
Share Premium	2,945,523	2,496,683
Share Premium - RCPS-i	1,115,632	-
Share Based Payment Reserve	65,316	63,037
Exchange Translation Reserve	204,486	341,343
Retained Earnings	2,718,191	2,522,315
Equity Attributable to Owners of the Company	<u>9,200,564</u>	<u>7,394,644</u>
Perpetual Bond	610,787	610,787
Non-controlling Interests	431,730	387,008
Total Equity	<u>10,243,081</u>	<u>8,392,439</u>
Non-Current Liabilities		
Redeemable Cumulative Preference Shares	53,513	53,770
Other Payables	40,000	-
Long Term Borrowings	3,798,538	3,414,000
Deferred Tax Liabilities	13,114	40,476
	<u>3,905,165</u>	<u>3,508,246</u>
Current Liabilities		
Gross Amount Due to Customers	5,707	125
Trade and Other Payables	1,945,773	2,133,995
Provision for Affordable Housing	504,258	458,540
Short Term Borrowings	1,973,771	1,782,898
Current Tax Liabilities	112,185	146,498
	<u>4,541,694</u>	<u>4,522,056</u>
Total Liabilities	<u>8,446,859</u>	<u>8,030,302</u>
TOTAL EQUITY AND LIABILITIES	<u><u>18,689,940</u></u>	<u><u>16,422,741</u></u>
Net Assets Per Share Attributable to Owners of the Company	<u>2.83</u>	<u>2.81</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the 14 months period ended 31 December 2015 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
 (Company No.: 19698-X)
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(The figures have been audited)

	CURRENT QUARTER *	CUMULATIVE QUARTER *
	3 MONTHS ENDED 31/12/2016 RM'000	12 MONTHS ENDED 31/12/2016 RM'000
Revenue	1,771,799	4,957,165
Cost of sales	(1,216,943)	(3,515,750)
Gross profit	<u>554,856</u>	<u>1,441,415</u>
Other income	64,796	257,359
Selling and marketing expenses	(73,425)	(172,151)
Administrative and general expenses	(118,995)	(295,258)
Share of results of jointly controlled entities	127,404	68,715
Share of results of associated companies	4,191	4,877
Finance costs	(31,593)	(120,288)
Profit before tax	<u>527,234</u>	<u>1,184,669</u>
Tax expense	(64,563)	(285,390)
Profit for the period/year	<u>462,671</u>	<u>899,279</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	78,302	(136,950)
Total comprehensive income for the period/year	<u>540,973</u>	<u>762,329</u>
Profit attributable to:		
Holders of Perpetual Bond	9,035	36,236
Non-controlling interests	28,841	55,013
	<u>37,876</u>	<u>91,249</u>
Owners of the Company	424,795	808,030
	<u>462,671</u>	<u>899,279</u>
Total comprehensive income attributable to:		
Holders of Perpetual Bond	9,035	36,236
Non-controlling interests	29,095	54,920
	<u>38,130</u>	<u>91,156</u>
Owners of the Company	502,843	671,173
	<u>540,973</u>	<u>762,329</u>
Earnings per share attributable to equity holders of the Company		
- Basic earnings per share (sen)	15.00	29.82
- Diluted earnings per share (sen)	13.37	26.47

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the 14 months period ended 31 December 2015 and the accompanying explanatory notes in this report.)

* In 2015, the Company changed its financial year end from 31 October to 31 December and made up its financial statements for the 14 months period ended 31 December 2015.

Consequently, the 2015 quarterly financial reporting periods do not correspond with the 2016 quarterly financial reporting periods, and the 2015 quarterly results do not form a proper basis for comparison with the 2016 quarterly results. The 2015 quarterly results have therefore not been included in this report as comparative figures.

S P SETIA BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(The figures have been audited)

	← Attributable to owners of the Company →										
	← Non-Distributable →						Distributable				
	Share Capital RM'000	Share Capital - RCPS-i RM'000	Share Premium RM'000	Share Premium - RCPS-i RM'000	Share Based Payment Reserve 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
12 months ended 31 December 2016											
Balance at 01.01.2016	1,971,266	-	2,496,683	-	63,037	341,343	2,522,315	7,394,644	610,787	387,008	8,392,439
Total other comprehensive income for the year represented by exchange differences on translation of foreign operations	-	-	-	-	-	(136,857)	-	(136,857)	-	(93)	(136,950)
Profit for the year	-	-	-	-	-	-	808,030	808,030	-	55,013	863,043
Distribution for the year	-	-	-	-	-	-	-	-	36,236	-	36,236
Distribution paid	-	-	-	-	-	-	-	-	(36,236)	-	(36,236)
Transactions with owners:											
Issuance of ordinary shares											
- Dividend Reinvestment Plan ("DRP")	160,749	-	423,040	-	-	-	-	583,789	-	-	583,789
- Exercise of Employee Share Grant Plan ("ESGP")	6,848	-	21,444	-	(28,292)	-	-	-	-	-	-
- Exercise of Employee Share Option Scheme ("ESOS")	1,277	-	4,638	-	(912)	-	-	5,003	-	-	5,003
Issuance of RCPS-i	-	11,276	-	1,116,349	-	-	-	1,127,625	-	-	1,127,625
Share issuance expense	-	-	(282)	(717)	-	-	-	(999)	-	-	(999)
Dividends paid	-	-	-	-	-	-	(612,154)	(612,154)	-	(10,198)	(622,352)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	31,483	-	-	31,483	-	-	31,483
Balance at 31.12.2016	2,140,140	11,276	2,945,523	1,115,632	65,316	204,486	2,718,191	9,200,564	610,787	431,730	10,243,081

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the 14 months period ended 31 December 2015 and the accompanying explanatory notes in this report.)

Note:

In 2015, the Company changed its financial year end from 31 October to 31 December and made up its financial statements for the 14 months period ended 31 December 2015.

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S P SETIA BERHAD
 (Company No.: 19698-X)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(The figures have been audited)

	12 MONTHS ENDED 31/12/2016 RM'000
Operating Activities	
Profit before tax	1,184,669
Adjustments for:-	
Non-cash items	(39,052)
Non-operating items	(59,706)
Operating profit before changes in working capital	1,085,911
Changes in property development costs	562,324
Changes in accrued billings/progress billings	(730,861)
Changes in gross amount due from/to customers	19,058
Changes in inventories	234,742
Changes in receivables	(257,370)
Changes in payables	151,065
Cash generated from operations	1,064,869
Rental received	1,565
Interest received	60,765
Interest paid	(262,240)
Tax paid	(443,409)
Net cash generated from operating activities	421,550
Investing Activities	
Additions to land held for future development	(701,094)
Purchase of property, plant and equipment	(49,215)
Additions to investment properties	(303,810)
Proceeds from disposal of property, plant and equipment	1,152
Proceeds from disposal of investment properties	315
Acquisition of additional shares in an existing jointly controlled entity	(696,566)
Repayment of capital contribution from a jointly controlled entity	970
Advances to jointly controlled entities	(38,527)
Advances to an associated company	(31)
Other investments	98,250
Net cash used in investing activities	(1,688,556)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(The figures have been audited)

	12 MONTHS ENDED 31/12/2016 RM'000
Financing Activities	
Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS	5,003
Payment of share issuance expenses	(999)
Repayment to a non-controlling shareholder of a subsidiary company	(25,725)
Drawdown of bank borrowings	2,594,186
Repayment of bank borrowings	(1,966,480)
Proceeds from issuance of RCPS-i	1,127,625
Perpetual bonds distribution paid	(36,236)
Interest paid	(761)
Redeemable cumulative preference share dividends paid to a non-controlling shareholder of a subsidiary company	(1,272)
Dividends paid to non-controlling interests	(10,198)
Dividends paid	(28,365)
Net cash generated from financing activities	<u>1,656,778</u>
Net changes in cash and cash equivalents	389,772
Effect of exchange rate changes	26,924
Cash and cash equivalents at beginning of the year	3,659,414
Cash and cash equivalents at end of the year	<u>4,076,110</u>
 Cash and cash equivalents comprise the following:	
Short-Term Deposits	2,704,840
Cash and Bank Balances	1,465,287
Bank Overdrafts	(49,357)
	4,120,770
Less: Sinking Fund, Debt Service Reserve and Escrow and Revenue Accounts	(44,660)
	<u>4,076,110</u>

(The Condensed Consolidated Statement Of Cash Flows should be read in conjunction with the audited financial statements for the 14 months period ended 31 December 2015 and the accompanying explanatory notes in this report.)

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Consequently, the 2015 quarterly financial reporting periods do not correspond with the 2016 quarterly financial reporting periods, and the 2015 quarterly results do not form a proper basis for comparison with the 2016 quarterly results. The 2015 quarterly results have therefore not been included in this report as comparative figures.

NOTES TO THE INTERIM FINANCIAL REPORT**1. Basis of preparation**

The interim financial report has been prepared in accordance with Financial Reporting Standard 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the 14 months financial period ended 31 December 2015.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the 14 months financial period ended 31 December 2015 except for the adoption of the following Amendments to FRSs:-

Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRS 5, FRS 7, FRS 119 and FRS 134	Annual Improvements to FRSs 2012-2014 Cycle
Amendment to FRS 101	Disclosure Initiative

The following is the new FRS which is effective but is not applicable to the Group:-

FRS 14	Regulatory Deferral Accounts
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The adoption of the above Amendments to FRSs does not have any material impact on the financial statements of the Group.

2. Seasonal or cyclical factors

The business operations of the Group during the financial year 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 year ended 31 December 2016.

4. Material changes in estimates

There were no material changes in estimates for the financial year ended 31 December 2016.

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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 year-to-date except for the following:

- (a) Issuance of 1,703,180 new ordinary shares of RM0.75 each pursuant to the exercise of Employees' Share Options Scheme ("ESOS") at the following option prices;

		ESOS 1	ESOS 2	ESOS 3	ESOS 4
Exercise price	(RM)	3.07	3.03	3.02	2.72
No. of shares issued	('000)	586	133	413	571

- (b) Issuance of 214,332,180 new ordinary shares of RM0.75 each pursuant to Dividend Reinvestment Plan duly renewed ("DRP") at the following issue prices:

		5 th DRP	6 th DRP
Issue price	(RM)	2.65	3.11
No. of shares issued	('000)	179,965	34,367

- (c) Allotment of 9,129,207 new ordinary shares of RM0.75 each pursuant to the vesting of Employee Share Grant Plan ("ESGP"); and
- (d) Issuance of 1,127,625,002 new Islamic Redeemable Cumulative Preference Shares ("RCPS-i") of RM0.01 each.

6. Dividends paid

- (a) **Final dividend in respect of the financial period ended 31 December 2015**

A single tier final dividend, in respect of the financial period ended 31 December 2015 of 19 sen per ordinary shares of RM0.75 each amounting to RM499,416,016, was approved by the shareholders at the Annual General Meeting on 18 May 2016, and determined that Dividend Reinvestment Plan ("5th DRP") shall apply to the entire final dividend.

Based on elections made by shareholders, a total of 179,964,772 new ordinary shares were issued and the remaining portion of RM22,509,370 was paid in cash on 3 August 2016.

- (b) **Interim dividend in respect of the financial year ended 31 December 2016**

On 23 August 2016, the Board of Directors had declared a single-tier interim dividend of 4 sen per share for the financial year ended 31 December 2016 ("Interim Dividend") amounting to RM112,738,145 and determined that Dividend Reinvestment Plan ("6th DRP") shall apply to the entire Interim Dividend.

Based on elections made by shareholders, a total of 34,367,408 new ordinary shares were issued and the remaining portion of RM5,855,506 was paid in cash on 22 November 2016.

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7. Segmental Reporting

The segmental analysis for the financial year ended 31 December 2016 is as follows:-

	Property Development	Construction	Other Operations	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>					
External sales	4,484,432	305,997	166,736	-	4,957,165
Inter-segment sales	345,843	356,026	25,342	(727,211)	-
Total revenue	4,830,275	662,023	192,078	(727,211)	4,957,165
Gross profit	1,407,192	12,440	21,783	-	1,441,415
Other income	231,685	8,960	16,714	-	257,359
Operating expenses	(430,486)	(14,829)	(22,094)	-	(467,409)
Share of results of jointly controlled entities	68,625	-	90	-	68,715
Share of results of associated companies	4,877	-	-	-	4,877
Finance costs	(108,983)	(627)	(10,678)	-	(120,288)
Profit before tax	1,172,910	5,944	5,815	-	1,184,669
Tax expense					(285,390)
Profit for the year					899,279

8. Material Events subsequent to the End of Financial Year

There were no material transactions or events subsequent to the financial year ended 31 December 2016 till 16 February 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly 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 year to-date except for the dissolution of Setia Jersey Investment Holding Company Limited (“Setia Jersey”), an indirect wholly-owned subsidiary of S P Setia Berhad on 24 November 2016.

10. Contingent Liabilities

There were no contingent liabilities in respect of the Group since the last financial year.

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11. Capital Commitments

	As at 31 Dec 2016
	RM'000
Contractual commitments to purchase development land	852,535
Contractual commitments for construction of investment properties	306,692
Contractual commitments for acquisition of property, plant and equipment	<u>2,238</u>

12. Significant Related Party Transactions

	1 Jan 2016 to 31 Dec 2016
	RM'000
<i>Transactions with jointly controlled entities:-</i>	
(i) Project management and administrative fee received and receivable	6,066
(ii) Project management and administrative fee paid and payable	240
(iii) Rental received and receivable	735
(iv) Event service fee paid and payable	122
(v) Construction services rendered	231,255
(vi) Staff secondment fee paid and payable	350
(vii) Interest received and receivable	22,174
(viii) Group marketing fee paid and payable	10
(ix) Advertisement fee paid and payable	138
<i>Transactions with directors of the Company and subsidiary companies:-</i>	
(i) Sale of development properties to directors of the Company and his immediate family members	13,386
(ii) Sale of development properties to directors of subsidiary companies	8,410
(iii) Personal training fee charged to immediate family members of a director of subsidiary companies	12
<i>Transaction with director of jointly controlled entity:-</i>	
(i) Sale of development property to director of jointly controlled entity and his immediate family member	1,275

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Group Performance

Revenue and profit before tax (“PBT”) of the respective operating business segments for the current quarter and financial period to-date are analysed as follows:-

	3 months ended 31 Dec 2016 RM’000	12 months ended 31 Dec 2016 RM’000
Revenue		
Property Development	1,628,199	4,484,432
Construction	106,099	305,997
Other Operations	37,501	166,736
	<u>1,771,799</u>	<u>4,957,165</u>
Profit before tax		
Property Development	594,767	1,172,910
Construction	(5,142)	5,944
Other Operations	(62,391)	5,815
	<u>527,234</u>	<u>1,184,669</u>

Property Development

The Group achieved revenue of RM4.48 billion and PBT of RM1.17 billion in the financial year. Ongoing projects which contributed to the revenue and profit achieved include *Setia Alam* and *Setia Eco Park* in Shah Alam, *Setia EcoHill* in Semenyih, *Setia Eco Glades* in Cyberjaya, *Setia Sky Residences* at Jalan Tun Razak, *Perumahan Penjawat Awam 1Malaysia (PPAIM)* in Putrajaya, *KL Eco City* at Jalan Bangsar, *Aeropod* in Kota Kinabalu, *Bukit Indah*, *Setia Indah*, *Setia Tropika*, *Setia Eco Cascadia*, *Setia Business Park II*, *Setia Eco Gardens* and *Setia Sky 88* in Johor Bahru, *Setia Pearl Island*, *Setia Vista*, *Setia Pinnacle* and *Setia V Residences* in Penang, *Eco Sanctuary* in Singapore, *Battersea Power Station* in London and *Parque Melbourne* in Australia.

Construction

Revenue for the financial year is mainly derived from the construction of the following:

- Subterranean Penang International Convention & Exhibition Centre (“SPICE”) at Penang;
- Kompleks Institut Penyelidikan Kesihatan Bersepadu (“1NIH Complex”) at Setia Alam; and
- Commuter station at KL Eco City.

The construction profit for the above projects is not significant to the Group as they are carried out as part of a 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 retail mall and Setia City Convention Centre.

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

The Group's current quarter PBT is RM527.2 million, which is RM266.8 million higher than the preceding quarter ended 30 September 2016, mainly due to higher work progress from its ongoing property development projects and delivery of projects in Battersea Power Station in London and Parque Melbourne in Australia.

3. Prospects for Financial Year Ending 31 December 2017 ("FY2017")

The Group achieved total sales of RM3.82 billion for the financial year ended 31 December 2016 ("FY2016"), which had significantly exceeded our revised sales target of RM3.50 billion. Local projects contributed RM3.50 billion, which represented approximately 92% of the total sales. The international projects contributed RM321.5 million, which represented the remaining 8% of the total sales. The sales secured were largely from Central region with RM2.64 billion. The Southern, Northern and Eastern regions combine contributed RM859.7 million. The Group recorded its strongest sales performance in the fourth quarter of FY2016 with RM1.78 billion sales. The Group is very pleased with this sales achievement as it not only demonstrates the versatility of the Group but it is also a laudable feat in such challenging times of soft property market.

On the international front, the Group plans to launch two projects in Australia, namely the sites in Prahran and Exhibition Street in Melbourne. At the same time, the Group is also on the lookout for new land banking opportunities in Australia. In the United Kingdom, the success of securing a long-term lease contract for 500,000 square feet of office space in Phase 2 of the Battersea Power Station from Apple Inc. (the world's largest company by market value in 2016), will strongly enhance and reinforce our aim of place making as well as to uplift the value at Battersea Power Station, notwithstanding the mid-term market challenges such as the Brexit issue. In addition, Battersea Power Station witnessed the staggered completion and handover of Phase 1 units. As of December 2016, two of twelve blocks had been completed and delivered to the purchasers. The remaining ten blocks will be completed and handed over by 2nd quarter of FY2017.

On the local front, the Group targets to roll out more mid-priced landed properties and affordable housing where the demand for these staple products at established townships have proven to be strong. There will be limited roll out of properties under the 10:90 scheme in FY2017. In addition to the township products, the Group will also launch Tower B condominium of Setia Sky Seputeh at Taman Seputeh as well as the transit-oriented development of TRIO apartments by Setia at Bukit Tinggi, Klang.

On 6 December 2016, the Group successfully completed the renounceable rights issue exercise which raised gross proceeds of RM1.13 billion to fund the Group's current working capital requirements as well as for future property development and expansion plan. This successful fund raising exercise in the current challenging market augurs well for the Group's land bank expansion plan as it was timely to fund a significant land acquisition announced by the Group on 22 December 2016, which comprises the purchase of 5 adjoining parcels of freehold land measuring approximately 1,675 acres in Seberang Perai Utara for the purchase consideration of RM620.1 million or RM8.50 per square foot. The said land acquisition marks another key milestone in the Group's strategic expansion plan and to venture into new markets, as it represents the Group's maiden entry into the mainland of Pulau Pinang. The said land is located within the Butterworth-Sungai Petani Growth Corridor with good accessibility from North-South Highway via Bertam Interchange. Surrounded by existing townships, retail malls, medical institute, a university campus as well as a golf course, the said land is planned for an eco-themed mixed development township, which has a potential gross development value ("GDV") of approximately RM9.60 billion spanning over 15 - 20 years. The Seberang Perai Utara land acquisition will place the Group in stronger position moving forward.

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3. Prospects for Financial Year Ending 31 December 2017 (“FY2017”) (continued)

In addition to the above said land acquisition, the Group will continue to search for more strategic land bank to replenish the existing acreage, especially in Klang Valley and Johor Bahru in Malaysia and also in Australia.

For FY2017, the Group sets a sales target of RM4.00 billion, of which it expects approximately 77% to come from local projects. Underpinned by an unbilled sales pipeline of RM8.25 billion, 30 ongoing projects, effective remaining land bank of 5,218 acres with a GDV of RM76.48 billion as of 31 December 2016, a strong ‘Setia’ brand, a further strengthened balance sheet and its ability as an established township and integrated commercial developer to offer products right for the current market, the Group’s prospects going forward remain positive.

The Board is confident that the Group will remain in good stead to perform resiliently in the current financial year ending 31 December 2017, against prevailing market challenges and uncertainties.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

Income Tax comprises:-

	3 months ended 31 Dec 2016 RM’000	12 months ended 31 Dec 2016 RM’000
- current taxation	145,284	342,419
- in respect of prior year	(17,806)	8,955
- deferred taxation	(65,785)	(71,422)
- in respect of prior year	2,870	5,438
	<u>64,563</u>	<u>285,390</u>

The Group’s effective tax rate (excluding share of results of associate and jointly controlled entities) for the financial year is slightly higher than the statutory tax rate mainly due to certain non-tax deductible expenses.

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6. Status of Corporate Proposals

- (a) As at 31 December 2016, the status of the utilisation of proceeds raised under RCPS-i which was completed on 6 December 2016, amounting to RM1,127.6 million is as set out below:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Intended timeframe for utilisation from completion date
Existing projects and general working capital requirements	300,000	34,650	265,350	Within 18 months
Future development projects and expansion plans	826,025	53,910	772,115	Within 36 months
Estimated expenses for the Corporate Exercise	1,600	1,223	377	Within 1 month
Total	1,127,625	89,783	1,037,842	

- (b) On 22 December 2016, S P Setia Berhad, vide its wholly owned subsidiary, Setia Recreation Sdn Bhd, entered into a sale and purchase agreement (“SPA”) with CIMB Islamic Trustee Berhad (acting solely in the capacity as trustee for Boustead Plantations Berhad (“Boustead Plantations”)) in relation to the proposed acquisition of 5 adjoining parcels of freehold land measuring approximately 1,675 acres in Seberang Perai Utara (“Land”) for the purchase consideration of RM620.1 million (or RM8.50 per square foot) (“Purchase Consideration”) subject to the terms and conditions of the SPA (“Proposed Acquisition”). The Proposed Acquisition is subject to amongst others the approval from the shareholders of Boustead Plantations. A payment of RM62.0 million, being 10% of the Purchase Consideration has been paid thus far.

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 December 2016 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Bank Borrowings	1,103,597	870,174	1,973,771
Long Term Bank Borrowings	2,550,771	1,247,767	3,798,538
Redeemable Cumulative Preference Shares	-	53,513	53,513
	3,654,368	2,171,454	5,825,822

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7. Group Borrowings and Debt Securities (continued)

Currency exposure profile of borrowings is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Malaysian Ringgit	2,930,844	2,171,454	5,102,298
Great British Pound	714,063	-	714,063
United States Dollar	8,587	-	8,587
Vietnamese Dong	874	-	874
	<u>3,654,368</u>	<u>2,171,454</u>	<u>5,825,822</u>

8. Material Litigation

The Group was not engaged in any material litigation as at 16 February 2017, 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 recommended a final dividend in respect of the financial year ended 31 December 2016.

- (i) Amount per share : Single tier dividend of 16 sen per share
- (ii) Previous corresponding financial period : Single tier dividend of 19 sen per share
- (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) Total dividend for the current financial year : single tier dividend of 20 sen per share

The Board has determined that the DRP will apply to the final dividend and shareholders of the Company be given an option to elect to reinvest the entire final dividend in new ordinary share(s) of RM0.75 each in the Company.

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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/year 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 Dec 2016 '000	12 months ended 31 Dec 2016 '000
Profit for the period/year attributable to owners of the Company (RM)	424,795	808,030
Number of ordinary shares at beginning of the period/year	2,817,809	2,628,356
Effect of shares issued pursuant to:		
- Exercise of ESOS	905	399
- Vesting of ESGP	-	4,315
- Dividend Reinvestment Plan ("DRP")	14,195	76,833
Weighted average number of ordinary shares	2,832,909	2,709,903
Basic Earnings Per Share (sen)	15.00	29.82

The diluted earnings per share has been calculated by dividing the Group's profit for the period/year 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, as well as full conversion of RCPS-i at the conversion ratio of 2 ordinary shares for 7 RCPS-i, calculated as follows:

	3 months ended 31 Dec 2016 '000	12 months ended 31 Dec 2016 '000
Profit for the period/year attributable to owners of the Company (RM)	424,795	808,030
Weighted average number of ordinary shares as per basic Earnings Per Share	2,832,909	2,709,903
Effect of potential exercise of LTIP	21,576	20,197
Effect of potential conversion of RCPS-i	322,178	322,178
Weighted average number of ordinary shares	3,176,663	3,052,278
Diluted Earnings Per Share (sen)	13.37	26.47

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11. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:-

	31 Dec 2016	31 Dec 2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	3,375,336	3,241,953
- Unrealised	246,525	152,575
	<u>3,621,861</u>	<u>3,394,528</u>
Total share of (accumulated losses)/retained profits from jointly controlled entities:		
- Realised	(186,961)	(245,967)
- Unrealised	(2,363)	2,582
	<u>(189,324)</u>	<u>(243,385)</u>
Total share of retained profits from associated companies:		
- Realised	8,498	3,621
- Unrealised	1	1
	<u>8,499</u>	<u>3,622</u>
Less: Consolidation adjustments	(722,845)	(632,450)
Total Group retained profits as per consolidated accounts	<u>2,718,191</u>	<u>2,522,315</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

12. Notes to the Statement of Comprehensive Income

Notes to the Statement of Comprehensive Income comprises:-

	3 months ended 31 Dec 2016 RM'000	12 months ended 31 Dec 2016 RM'000
Interest income	34,198	119,251
Other income including investment income	48,639	89,940
Interest expense	(31,593)	(120,288)
Depreciation and amortisation	(6,452)	(26,028)
Provision for and write off of receivables	(4,075)	(4,075)
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	1,562	1,562
Impairment of assets	-	-
Net foreign exchange gain	(19,658)	46,551
Gain or loss on derivatives	-	-
Exceptional items	-	-

13. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the 14 months period ended 31 December 2015 was unqualified.