

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

Interim Financial Report
30 June 2017

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S P SETIA BERHAD
 (Company No: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017
(The figures have not been audited)

	(UNAUDITED)	(AUDITED)
	As At	As At
	30/06/2017	31/12/2016
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	284,579	271,508
Investment Properties	1,113,636	1,015,951
Land Held for Property Development	5,649,578	5,579,638
Intangible Asset	13,303	11,633
Investments in Associated Companies	109,188	121,873
Investments in Jointly Controlled Entities	1,853,802	1,677,723
Deferred Tax Assets	174,117	165,485
	<u>9,198,203</u>	<u>8,843,811</u>
Current Assets		
Property Development Costs	1,899,676	2,105,675
Inventories	987,069	877,905
Trade and Other Receivables	2,129,064	1,925,326
Gross Amount Due from Customers	4,198	3,825
Amounts Owing by Jointly Controlled Entities	619,609	633,669
Amounts Owing by Associated Companies	170	138
Current Tax Assets	196,941	129,464
Short-Term Deposits	2,053,648	2,704,840
Cash and Bank Balances	1,415,107	1,465,287
	<u>9,305,482</u>	<u>9,846,129</u>
TOTAL ASSETS	<u>18,503,685</u>	<u>18,689,940</u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	5,091,761	2,140,140
Share Capital - RCPS-i	1,126,857	11,276
Reserves		
Share Premium	-	2,945,523
Share Premium - RCPS-i	-	1,115,632
Share Based Payment Reserve	79,451	65,316
Exchange Translation Reserve	241,990	204,486
Retained Earnings	2,959,694	2,718,191
Equity Attributable to Owners of the Company	<u>9,499,753</u>	<u>9,200,564</u>
Perpetual Bond	610,688	610,787
Non-controlling Interests	440,694	431,730
Total Equity	<u>10,551,135</u>	<u>10,243,081</u>
LIABILITIES		
Non-Current Liabilities		
Redeemable Cumulative Preference Shares	54,144	53,513
Other Payables	40,000	40,000
Long Term Borrowings	3,921,017	3,798,538
Deferred Tax Liabilities	17,694	13,114
	<u>4,032,855</u>	<u>3,905,165</u>
Current Liabilities		
Gross Amount Due to Customers	12,999	5,707
Trade and Other Payables	1,595,326	1,945,773
Provision for Affordable Housing	466,232	504,258
Short Term Borrowings	1,761,327	1,973,771
Current Tax Liabilities	83,811	112,185
	<u>3,919,695</u>	<u>4,541,694</u>
Total Liabilities	<u>7,952,550</u>	<u>8,446,859</u>
TOTAL EQUITY AND LIABILITIES	<u>18,503,685</u>	<u>18,689,940</u>
Net Assets Per Share Attributable to Owners of the Company (RM)	<u>2.93</u>	<u>2.83</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 2016 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 30 JUNE 2017
(The figures have not been audited)

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Revenue	794,710	1,013,298	1,734,904	1,921,759
Cost of sales	(580,611)	(719,731)	(1,260,700)	(1,366,620)
Gross profit	<u>214,099</u>	<u>293,567</u>	<u>474,204</u>	<u>555,139</u>
Other income	60,167	59,186	97,847	127,946
Selling and marketing expenses	(38,533)	(35,399)	(81,828)	(66,874)
Administrative and general expenses	(86,996)	(61,714)	(129,571)	(121,074)
Share of results of jointly controlled entities	81,522	(26,368)	73,181	(43,544)
Share of results of associated companies	(11,603)	977	(10,758)	93
Finance costs	(34,820)	(27,555)	(64,825)	(54,691)
Profit before tax	<u>183,836</u>	<u>202,694</u>	<u>358,250</u>	<u>396,995</u>
Tax expense	(29,219)	(59,201)	(83,890)	(114,133)
Profit for the period	<u>154,617</u>	<u>143,493</u>	<u>274,360</u>	<u>282,862</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	(14,951)	(62,573)	37,430	(249,102)
Total comprehensive income for the period	<u>139,666</u>	<u>80,920</u>	<u>311,790</u>	<u>33,760</u>
Profit attributable to:				
Holders of Perpetual Bond	9,034	9,059	17,969	18,068
Non-controlling interests	9,263	8,655	14,888	15,624
	<u>18,297</u>	<u>17,714</u>	<u>32,857</u>	<u>33,692</u>
Owners of the Company	<u>136,320</u>	<u>125,779</u>	<u>241,503</u>	<u>249,170</u>
	<u>154,617</u>	<u>143,493</u>	<u>274,360</u>	<u>282,862</u>
Total comprehensive income attributable to:				
Holders of Perpetual Bond	9,034	9,059	17,969	18,068
Non-controlling interests	9,229	8,654	14,814	15,070
	<u>18,263</u>	<u>17,713</u>	<u>32,783</u>	<u>33,138</u>
Owners of the Company	<u>121,403</u>	<u>63,207</u>	<u>279,007</u>	<u>622</u>
	<u>139,666</u>	<u>80,920</u>	<u>311,790</u>	<u>33,760</u>
Earnings per share attributable to equity holders of the Company				
- Basic earnings per share (sen)	4.78	4.79	8.46	9.48
- Diluted earnings per share (sen)	<u>4.26</u>	<u>4.75</u>	<u>7.55</u>	<u>9.41</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 2016 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
(Company No.: 19698-X)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017
(The figures have not been audited)

	← Attributable to owners of the Company →						Total RM'000	Perpetual Bond RM'000	Non-controlling interests RM'000	Total Equity RM'000	
	← 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				
Balance at 01.01.2017	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
Total other comprehensive income for the period represented											
by exchange differences on translation of foreign operations	-	-	-	-	-	37,504	-	37,504	-	(74)	37,430
Profit for the period	-	-	-	-	-	-	241,503	241,503	-	14,888	256,391
Distribution for the period	-	-	-	-	-	-	-	-	17,969	-	17,969
Distribution paid	-	-	-	-	-	-	-	-	(18,068)	-	(18,068)
Transactions with owners:											
Issuance of ordinary shares											
- Exercise of Employee Share Option Scheme ("ESOS")	6,060	-	38	-	(906)	-	-	5,192	-	-	5,192
Share issuance expense	-	-	-	(51)	-	-	-	(51)	-	-	(51)
Dividends paid	-	-	-	-	-	-	-	-	-	(5,850)	(5,850)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	15,041	-	-	15,041	-	-	15,041
Transition to no par value regime ⁽¹⁾	2,945,561	1,115,581	(2,945,561)	(1,115,581)	-	-	-	-	-	-	-
Balance at 30.06.2017	5,091,761	1,126,857	-	-	79,451	241,990	2,959,694	9,499,753	610,688	440,694	10,551,135
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 period represented											
by exchange differences on translation of foreign operations	-	-	-	-	-	(248,548)	-	(248,548)	-	(554)	(249,102)
Profit for the period	-	-	-	-	-	-	249,170	249,170	-	15,624	264,794
Distribution for the period	-	-	-	-	-	-	-	-	18,068	-	18,068
Distribution paid	-	-	-	-	-	-	-	-	(18,068)	-	(18,068)
Transactions with owners:											
Issuance of ordinary shares											
- Exercise of Employee Share Option Scheme ("ESOS")	113	-	422	-	(78)	-	-	457	-	-	457
Share issuance expense	-	-	(75)	-	-	-	-	(75)	-	-	(75)
Dividends paid	-	-	-	-	-	-	-	-	-	(2,138)	(2,138)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	19,183	-	-	19,183	-	-	19,183
Balance at 30.06.2016	1,971,379	-	2,497,030	-	82,142	92,795	2,771,485	7,414,831	610,787	399,940	8,425,558

Note

⁽¹⁾ Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(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 2016 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
 (Company No.: 19698-X)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017
(The figures have not been audited)

	6 MONTHS ENDED	
	30/06/2017	30/06/2016
	RM'000	RM'000
Operating Activities		
Profit before tax	358,250	396,995
Adjustments for:-		
Non-cash items	(21,319)	26,149
Non-operating items	(8,040)	(13,181)
Operating profit before changes in working capital	<u>328,891</u>	<u>409,963</u>
Changes in property development costs	108,626	(93,712)
Changes in accrued billings/progress billings	500,897	(84,531)
Changes in gross amount due from/to customers	8,585	(3,485)
Changes in inventories	82,049	85,087
Changes in receivables	(170,965)	(149,653)
Changes in payables	(390,016)	(213,864)
Cash generated from/(used in) operations	<u>468,067</u>	<u>(50,195)</u>
Rental received	1,495	694
Interest received	29,737	30,732
Interest paid	(123,851)	(126,254)
Tax paid	(185,283)	(241,190)
Net cash from/(used in) operating activities	<u>190,165</u>	<u>(386,213)</u>
Investing Activities		
Additions to land held for future development	(152,808)	(348,601)
Deposits paid in relation to development land	(478,090)	-
Purchase of property, plant and equipment	(23,569)	(10,549)
Additions to investment properties	(91,602)	(136,667)
Proceeds from disposal of property, plant and equipment	256	633
Acquisition of additional shares in an existing jointly controlled entity	(76,300)	(419,506)
Repayment from a jointly controlled entity	6	929
Advances to jointly controlled entities	(7,225)	(12,246)
(Advances to)/repayment from an associated company	(32)	8
Other investments	26,303	29,655
Net cash used in investing activities	<u>(803,061)</u>	<u>(896,344)</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017
(The figures have not been audited)

	6 MONTHS ENDED	
	30/06/2017	30/06/2016
	RM'000	RM'000
Financing Activities		
Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS	5,192	456
Payment of share issuance expenses	(51)	(75)
Repayment to non-controlling shareholders of a subsidiary company	(197)	(25,725)
Drawdown of bank borrowings	760,719	1,322,321
Repayment of bank borrowings	(865,733)	(786,819)
Perpetual bonds distribution paid	(18,068)	(18,068)
Interest paid	(293)	(408)
Redeemable cumulative preference share dividends paid to a non-controlling shareholder of a subsidiary company	-	(2,138)
Dividends paid to non-controlling interests	(5,850)	-
Net cash (used in)/generated from financing activities	<u>(124,281)</u>	<u>489,544</u>
Net changes in cash and cash equivalents	(737,177)	(793,013)
Effect of exchange rate changes	15,148	(30,900)
Cash and cash equivalents at beginning of the period	4,076,110	3,659,414
Cash and cash equivalents at end of the period	<u>3,354,081</u>	<u>2,835,501</u>
 Cash and cash equivalents comprise the following:		
Short-Term Deposits	2,053,648	1,742,944
Cash and Bank Balances	1,415,107	1,236,621
Bank Overdrafts	(54,687)	(109,131)
	<u>3,414,068</u>	<u>2,870,434</u>
Less: Sinking Fund, Debt Service Reserve and Escrow and Revenue Accounts	(59,987)	(34,933)
	<u>3,354,081</u>	<u>2,835,501</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 2016 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 Financial Reporting Standard (“FRS”) 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 financial year ended 31 December 2016.

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 2016 except for the adoption of the following Amendments to FRSs:-

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRS 12	Annual Improvements to FRS Standards 2014-2016 Cycle

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 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 30 June 2017.

4. Material changes in estimates

There were no material changes in estimates for the financial period ended 30 June 2017.

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 except for the issuance of 1,732,050 new ordinary shares pursuant to the exercise of Employees’ Share Options Scheme (“ESOS”) at the following option prices:

		ESOS 1	ESOS 3	ESOS 4
Exercise price	(RM)	3.07	3.02	2.72
No. of shares issued	(‘000)	1,236	159	337

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6. Dividends paid

A single tier final dividend, in respect of the financial year ended 31 December 2016 of 16 sen per ordinary shares of RM0.75 each amounting to RM456,563,186 was approved by the shareholders at the Annual General Meeting on 18 May 2017, and determined that Dividend Reinvestment Plan (“7th DRP”) shall apply to the entire final dividend.

Based on elections made by shareholders, a total of 123,421,658 new ordinary shares were issued and the remaining portion of RM49,542,123 was paid in cash on 19 July 2017.

7. Segmental Reporting

The segmental analysis for the financial period ended 30 June 2017 is as follows:-

	Property Development RM'000	Construction RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External revenue	1,502,764	140,811	91,329	-	1,734,904
Inter-segment revenue	126,069	221,344	19,233	(366,646)	-
Total revenue	1,628,833	362,155	110,562	(366,646)	1,734,904
Gross profit	453,222	7,033	13,949	-	474,204
Other income	84,985	5,350	7,512	-	97,847
Operating expenses	(197,298)	(4,482)	(9,619)	-	(211,399)
Share of results of jointly controlled entities	72,717	-	464	-	73,181
Share of results of associated companies	(10,758)	-	-	-	(10,758)
Finance costs	(60,543)	(698)	(3,584)	-	(64,825)
Profit before tax	342,325	7,203	8,722	-	358,250
Tax expense					(83,890)
Profit for the period					274,360

8. Material Events subsequent to the End of Financial Period

There were no material transactions or events subsequent to the current quarter ended 30 June 2017 till 10 August 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to-date except for the following:

- (a) Incorporation of a wholly-owned subsidiary company of S P Setia International (S) Pte. Ltd. by the name of Setia (Bukit Timah) Pte. Ltd. (“Setia (Bukit Timah)”) which is in turn a wholly-owned subsidiary of S P Setia on 26 April 2017 with an issued and paid-up capital of SGD100 comprising 100 ordinary shares;
- (b) Deregistration of Qinzhou Development (Hong Kong) Limited (“QDHK”), a wholly-owned subsidiary of Qinzhou Development (Malaysia) Consortium Sdn Bhd, which is in turn an inactive associate company of S P Setia on 11 May 2017;
- (c) Internal reorganisation of S P Setia Property Holdings Sdn Bhd (“S P Setia Property”), which was formerly a wholly-owned subsidiary of S P Setia, via disposal of S P Setia’s entire equity interest in S P Setia Property comprising 300,000 ordinary shares for a total cash consideration of RM300,000 to another wholly-owned subsidiary of S P Setia, Setia Ecohill Sdn Bhd (“Setia Ecohill”) on 11 May 2017; and
- (d) Incorporation of a wholly-owned subsidiary company of Setia Australia Limited by the name of Setia A’Beckett (Melbourne) Pty Ltd (“Setia A’Beckett”) which is in turn a wholly-owned subsidiary of S P Setia on 22 June 2017 with an issued and paid-up capital of AUD1 comprising 1 ordinary share.

10. Contingent Liabilities

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

11. Capital Commitments

	As at 30 June 2017
	RM’000
<i>Commitments of subsidiary companies:-</i>	
Contractual commitments to purchase development land	2,290,383
Contractual commitments for construction of investment properties	206,431
Contractual commitments for acquisition of property, plant and equipment	<u>30,659</u>
<i>Share of commitments of jointly controlled entities:-</i>	
Contractual commitments for construction of investment properties	<u>41,004</u>

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12. Significant Related Party Transactions

1 Jan 2017
to
30 June 2017
RM'000

Transactions with jointly controlled entities:-

(i)	Project management and administrative fee received and receivable	3,977
(ii)	Project management and administrative fee paid and payable	120
(iii)	Rental received and receivable	336
(iv)	Construction services rendered	146,887
(v)	Staff secondment fee received and receivable	251
(vi)	Interest received and receivable	11,864
(vii)	Event services fee received and receivable	10

Transactions with directors of the Company and subsidiary companies:-

(i)	Sale of development properties to directors of the Company and their immediate family members	11,592
(ii)	Sale of development properties to directors of the subsidiary companies and their immediate family members	16,037
(iii)	Clubhouse service charges to a director of the subsidiary companies	11

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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 are analysed as follows:-

	Q2 2017	Q2 2016	PTD 2017	PTD 2016
	RM’000	RM’000	RM’000	RM’000
Revenue				
Property Development	687,166	890,301	1,502,764	1,702,618
Construction	57,020	70,610	140,811	123,383
Other Operations	50,524	52,387	91,329	95,758
	<u>794,710</u>	<u>1,013,298</u>	<u>1,734,904</u>	<u>1,921,759</u>
Profit before tax				
Property Development	175,758	174,112	342,325	335,285
Construction	1,012	5,119	7,203	7,499
Other Operations	7,066	23,463	8,722	54,211
	<u>183,836</u>	<u>202,694</u>	<u>358,250</u>	<u>396,995</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q2 FY2017 vs Q2 FY2016)**Property Development**

Revenue from property development activities is lower by 23%, mainly due to the completion of several phases in *KL Eco City* at Jalan Bangsar and the completion of the entire *Eco Sanctuary* in Singapore last year end.

PBT increased on contribution from the staggered completion of Phase 1 of *Battersea Power Station*, which is accounted for on completion basis.

Ongoing projects which contributed to the revenue and profit achieved include *Setia Alam* and *Setia Eco Park* in Shah Alam, *Setia EcoHill* and *Setia EcoHill 2* in Semenyih, *Setia Eco Glades* in Cyberjaya, *Setia Eco Templer* in Rawang, *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*, *Setia Sky Ville* and *Setia V Residences* in Penang and *Battersea Power Station* in London.

Construction

Revenue for the current quarter is mainly derived from the construction of the following:

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

1. Review of Group Performance (continued)**(a) Performance of the current quarter against the same quarter in the preceding year (Q2 FY2017 vs Q2 FY2016) (continued)****Construction (continued)**

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. PBT achieved in the same quarter in the preceding year was mainly contributed by unrealised foreign exchange gain.

(b) Performance of the current period to-date against the same period in the preceding year (Q2 PTD 2017 vs Q2 PTD 2016)

For the current period-to-date, the Group achieved a PBT of RM358.3 million on the back of revenue totalling RM1,734.9 million, which are 10% lower than the PBT and revenue achieved for the preceding period to-date.

The contribution from each business segment is set out below:

Property Development

The Group achieved revenue of RM1,502.8 million in the current period to-date which is 12% lower than RM1,702.6 million. The revenue for the corresponding period was higher due to the completion of several phases in *KL Eco City* at Jalan Bangsar and the completion of the entire *Eco Sanctuary* in Singapore last year end. The Group achieved a PBT of RM342.3 million, which is 2% higher than PBT achieved for the preceding period to-date due to more units of residential properties being completed and handed over for Phase 1 of *Battersea Power Station* in current period to-date.

Construction

The construction profit 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. PBT achieved in the same period in the preceding year was mainly contributed by unrealised foreign exchange gain.

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

The Group's current quarter PBT is RM183.9 million, which is RM9.4 million higher than the preceding quarter ended 31 March 2017. Higher PBT in current quarter was mainly due to more units of residential properties being completed and handed over for *Battersea Power Station* Phase 1 as compared to lesser units completed in the preceding quarter.

3. Prospects for the Current Financial Year

For the first half of FY2017, the Group secured sales of RM2.07 billion. The sales achieved represent an increased demand for the Group's projects in the second quarter of FY2017. Local projects contributed RM1.08 billion, which is 51.9% of the total sales while International projects contributed RM996.5 million, or 48.1% of the total sales. On the local front, the sales secured were largely from Central region at RM797.3 million whereas the Southern and Northern regions contributed a combined sales of RM278.9 million. As for the International projects, the Australian market achieved strong sales of RM799.0 million with contributions predominantly from Sapphire By The Gardens in Melbourne. Over at United Kingdom, Battersea Power Station contributed RM130.6 million of sales whereas projects in Singapore and Vietnam contributed RM66.9 million.

Sapphire By The Gardens, comprising a residential tower with 345 units of apartments and GDV of AUD376 million in Melbourne's Central Business District ("CBD") witnessed a strong take-up rate of 70% during the launch weekend on 17 June. The second tower of Sapphire By The Gardens will house the five-star Shangri-La Hotel with 500 guest rooms. The construction is expected to commence in early 2018 and is scheduled to be completed in 2021. Despite the reported challenges and glut in the Australian property market, the high take-up rate of Sapphire By The Gardens bear testament to the trust the purchasers have in the Setia brand and this reinforced the Group's presence as a prominent property developer in Australia.

Moving forward into the second half of 2017, the Group will focus more on the local market with emphasis given to the launches of mid-range landed properties in the Klang Valley. We will launch properties with a combined GDV of RM2.94 billion and the notable projects among others are Setia Alam, Setia EcoHill, Setia EcoHill 2, Setia Eco Templer, Setia Eco Glades, KL Eco City and Setia Sky Seputeh (Tower B). The strategy is to launch more of the landed properties in the Group's flagship townships where the underlying demand for such properties by owner occupiers are still strong.

On 14 April 2017, the Group entered into a non-binding memorandum of intent ("MOI") with Permodalan Nasional Berhad ("PNB") and Amanahraya Trustees Berhad (as trustee for Amanah Saham Bumiputera) ("ATR-ASB") to commence negotiations on the acquisition by the Group of the entire equity interest of I&P Group Sdn Berhad ("I&P Group") ("Proposed I&P Acquisition"). Further to the announcement, the Group entered into a conditional share purchase agreement to acquire I&P Group for a cash consideration of RM3.65 billion on 22 June 2017. The purchase price of RM3.65 billion is at a discount of approximately 39% to the adjusted unaudited net asset of I&P Group of RM6.01 billion.

Also on 22 June 2017, the Group announced its fund raising proposal to finance the Proposed I&P Acquisition. The Group proposed a renounceable rights issue of new ordinary shares to raise gross proceeds of up to RM1.20 billion, a renounceable rights issue of a new Class B Islamic Redeemable Convertible Preference Shares ("RCPS-i B") to raise gross proceeds of up to RM1.20 billion and a private placement of new shares to raise up to RM1.20 billion (collectively referred as "Proposed Fund Raising"). The entitlement basis and the issue price of the rights shares and RCPS-i B will be fixed at later stage. Whereas, the profit rate for the RCPS-i B is fixed at 5.93% p.a. The RCPS-i B is non-callable for the first 5 years, and it is convertible to ordinary shares at a conversion ratio to be determined later. Eventually, the Group targets to raise RM1.0 billion from the renounceable rights issue, RM1.0 billion from the RCPS-i B, RM1.50 billion from bank borrowings and also RM150.0 million from internal funds to settle the Proposed I&P Acquisition. The proceeds from the private placement will be utilised for new and on-going projects as well as general working capital requirements of the Group.

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3. Prospects for the Current Financial Year (continued)

The Proposed I&P Acquisition and Proposed Fund Raising exercises are subject to shareholders' approval targeted to be held in an Extraordinary General Meeting ("EGM") to be convened later and are expected to be completed in the fourth quarter of FY2017. On completion, I&P Group will become a wholly-owned subsidiary of the Group where the land banks of the enlarged Group will increase by 4,276 acres to 9,728 acres, making the Group, Malaysia's third largest property developer in terms of land banks size.

On 16 June 2017, the Group signed a Contract of Sale to acquire a 1,714 square metre site at 111 A' Beckett Street, Melbourne for a purchase price of AUD61.0 million. The site is located opposite Fulton Lane, the Group's maiden development project in Melbourne. As the site comes with planning approval, it will allow a quick turnaround or launch of the project with 632 units of apartments with a GDV of AUD419.0 million. The Group remains positive on the property market in Australia and will continue to look out for more acquisition opportunities.

The Group's prospects for the current year remain positive with total unbilled sales of RM8.0 billion, anchored by 31 ongoing projects and effective remaining land banks of 5,452 acres with a GDV of RM80.0 billion as at 30 June 2017. Given the planned pipeline of launches, the sustained momentum and the strong sales achieved to-date, the Group remains optimistic of achieving the sales target of RM4.0 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

Income Tax comprises:-

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
- current taxation	36,395	69,771	88,075	126,683
- in respect of prior year	-	-	-	-
- deferred taxation	(7,176)	(10,570)	(4,185)	(12,550)
- in respect of prior year	-	-	-	-
	<u>29,219</u>	<u>59,201</u>	<u>83,890</u>	<u>114,133</u>

The Group's effective tax rate (excluding share of results of associated companies and jointly controlled entities) for the financial period is slightly higher than the statutory tax rate mainly due to certain non-tax deductible expenses and higher tax rate in Australia.

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6. Status of Corporate Proposals

The following status of corporate proposals that has been announced by the Company which has not completed as at 10 August 2017, the latest practicable date which shall not be earlier than 7 days from the date of this announcement:

- (a) The rights issue involving the issuance of 1,127,625,002 Islamic Redeemable Convertible Preference Shares (“RCPS-i A”) of RM0.01 raising RM1,127.6 million was completed on 6 December 2016 (“Rights Issue”). As at 30 June 2017, the status of the utilisation of proceeds raised via the Rights Issue is as follows:

Purpose	Proposed utilisation	Actual utilisation	Reallocation	Balance unutilised	Intended timeframe for utilisation from completion date
	RM’000	RM’000	RM’000	RM’000	
Existing projects and general working capital requirements	300,000	(136,184)	377	164,193	Within 18 months
Future development projects and expansion plans	826,025	(98,668)	-	727,357	Within 36 months
Estimated expenses for the Corporate Exercise	1,600	(1,223)	(377)	-	Within 1 month
Total	1,127,625	(236,075)	-	891,550	

- (b) On 22 December 2016, S P Setia Berhad (“S P Setia”), vide its wholly-owned subsidiary, Setia Recreation Sdn Bhd, entered into a sale and purchase agreement (“Bertam 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 for the purchase consideration of RM620.1 million (or RM8.50 per square foot) (“Bertam Purchase Consideration”) subject to the terms and conditions of the Bertam SPA (“Proposed Bertam Acquisition”). The Proposed Bertam Acquisition has become unconditional on 3 August 2017 upon the receipt of approvals from the shareholders of Boustead Plantations Berhad on 5 April 2017, the Estate Land Board vide its letter dated 21 June 2017 and the Economic Planning Unit of the Prime Minister’s Department of Malaysia vide its letter dated 3 August 2017. A payment of RM62.0 million, being 10% of the Bertam Purchase Consideration has been paid thus far;

6. Status of Corporate Proposals (continued)

(c) On 14 April 2017, S P Setia, vide its wholly-owned subsidiary, KL East Sdn Bhd (“KL East”), entered into the following agreements with Seriemas Development Sdn Bhd (“Seriemas”):

- (i) a conditional sale and purchase agreement (“Bangi SPA”) to acquire a piece of freehold land measuring approximately 342.5 acres (or 14,919,300 square feet) located in Bangi, Selangor (“Bangi Land”) for a cash consideration of RM447.5 million (“Bangi Purchase Consideration”) or RM30.00 per square foot (“psf”) of the Bangi Land (“Proposed Bangi Acquisition”); and
- (ii) a conditional profit sharing agreement (“PSA”) in relation to the profit sharing of 20% of the audited profit before taxation (“PBT”) from the development on the Bangi Land consisting of sale of units and/or land parcels, subject to a maximum RM44.8 million calculated at the rate of RM3.00 psf of the Bangi Land with Seriemas (“Proposed Profit Share”).

(both the Proposed Bangi Acquisition and the Proposed Profit Share are collectively referred to as the “Bangi Proposal”).

The Bangi SPA and PSA are conditional upon KL East having carried out the Due Diligence Studies on Bangi Land, Seriemas having submitted and obtained the Development Order & Layout Approval, approvals being obtained from the Estate Land Board of Selangor and the Economic Planning Unit of the Prime Minister’s Department of Malaysia and shareholders of S P Setia at an EGM to be convened. A payment of RM44.8 million, being 10% of the Bangi Purchase Consideration has been paid thus far;

(d) On 14 April 2017, S P Setia entered in to a non-binding Memorandum of Intent (“MOI”) with Permodalan Nasional Berhad (“PNB”) and Amanahraya Trustees Berhad (as trustee for Amanah Saham Bumiputera) (“ATR-ASB”) to commence negotiations on a proposed acquisition by S P Setia of the entire equity interest of I&P Group Sdn Berhad and its group of companies (“I&P Group”) (“Proposed I&P Acquisition”).

Further to the MOI, S P Setia had on 22 June 2017 entered into a conditional share purchase agreement with PNB, ATR-ASB and Dato’ Mohd. Nizam bin Zainordin (“Dato’ Nizam”) (collectively, “I&P Vendors”) for the Proposed I&P Acquisition (“SPA”) for a cash consideration of RM3.65 billion (“I&P Purchase Consideration”).

In conjunction with the Proposed I&P Acquisition, S P Setia is also proposing to undertake equity fund raising proposals comprising the following:

- (i) proposed renounceable rights issue of new ordinary shares in S P Setia (“S P Setia Shares”) (“Rights Shares”) to raise gross proceeds of up to RM1.20 billion (“Proposed Rights Issue of Shares”);
- (ii) proposed renounceable rights issue of new class B Islamic redeemable convertible preference shares in S P Setia (“RCPS-i B”) to raise gross proceeds of up to RM1.20 billion;
- (iii) proposed placement of new S P Setia Shares (“Placement Shares”) to investors to be identified to raise gross proceeds of up to RM1.20 billion (“Proposed Placement”); and
- (iv) proposed amendments to the constitution of S P Setia (“Constitution”)

(collectively to be referred to as the “I&P Proposal”)

6. Status of Corporate Proposals (continued)

The completion of the I&P Proposal is subject to the approvals being obtained from the following:

- (i) shareholders of S P Setia at an extraordinary general meeting to be convened;
- (ii) Bursa Malaysia Securities Berhad (“Bursa Securities”) for the:
 - (a) admission of the RCPS-i B to the Official List of Bursa Securities; and
 - (b) listing and quotation of the Rights Shares, RCPS-i B, new S P Setia Shares to be issued upon conversion of RCPS-i B and Placement Shares on the Main Market of Bursa Securities;
- (iii) Economic Planning Unit of the Prime Minister’s Department, for the Proposed I&P Acquisition, if applicable; and
- (iv) where required, any other relevant authority and/or party.

In addition, the Proposed Rights Issue of RCPS-i B is further subject to the approvals being obtained from the:

- (i) Shariah Advisory Council of the Securities Commission, on the structure of the RCPS-i B;
- (ii) holders of RCPS-i A, at a class meeting to be convened;
- (iii) Bank Negara Malaysia, for the issuance of the RCPS-i B to non-resident shareholders of the Company; and
- (iv) where required, any other relevant authority and/or party.

A payment of RM73.0 million (in the form of bank guarantee), being 2% of the I&P Purchase Consideration has been made thus far; and

- (e) On 18 April 2017, S P Setia, vide its wholly-owned subsidiary, S P Setia International (S) Pte Ltd, successfully tendered for a parcel of leasehold land along Toh Tuck Road, Singapore measuring approximately 4.6 acres for a purchase consideration of SGD265.0 million (approximately RM847.6 million) (“Toh Tuck Purchase Consideration”) from the Urban Redevelopment Authority, acting as agent for and on behalf of the Singapore government (“Toh Tuck Acquisition”). The Toh Tuck Purchase Consideration has been fully paid on 17 July 2017 and the Toh Tuck Acquisition has been completed on the same date.

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7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 June 2017 were as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term Bank Borrowings	1,045,611	715,716	1,761,327
Long Term Bank Borrowings	2,422,594	1,498,423	3,921,017
Redeemable Cumulative Preference Shares	-	54,144	54,144
	<u>3,468,205</u>	<u>2,268,283</u>	<u>5,736,488</u>

Currency exposure profile of borrowings is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Malaysian Ringgit	3,465,222	1,544,080	5,009,302
Great British Pound	-	724,203	724,203
United States Dollar	2,707	-	2,707
Vietnamese Dong	276	-	276
	<u>3,468,205</u>	<u>2,268,283</u>	<u>5,736,488</u>

8. Material Litigation

The Group was not engaged in any material litigation as at 10 August 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 an interim dividend in respect of the financial year ending 31 December 2017.

- (i) Amount per share : Single tier dividend of 4 sen per share
- (ii) Previous corresponding period : Single tier dividend of 4 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 period to-date : Single tier dividend of 4 sen per share

The Board has determined that the DRP will apply to the interim dividend and shareholders of the Company be given an option to elect to reinvest the entire interim dividend in new ordinary share(s) pursuant to the 8th DRP.

(c) The Board of Directors has recommended a preferential dividend of 6.49% per annum, payable semi-annually, in respect of the financial period ended 30 June 2017, for the RCPS-i A. In addition, the Board of Directors has recommended an additional one off preferential dividend of 6.49% per annum for the RCPS-i A for the period from 2 December 2016 (being the issue date of the RCPS-i A) to 31 December 2016.

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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 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		6 MONTHS ENDED	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	'000	'000	'000	'000
Profit for the period attributable to equity holders of the Company (RM)	136,320	125,779	241,503	249,170
Number of ordinary shares at beginning of the period	2,853,761	2,628,385	2,853,520	2,628,356
Effect of shares issued pursuant to:				
- Exercise of ESOS	560	86	431	70
Weighted average number of ordinary shares	2,854,321	2,628,471	2,853,951	2,628,426
Basic Earnings Per Share (sen)	4.78	4.79	8.46	9.48

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, as well as full conversion of RCPS-i at the conversion ratio of two (2) ordinary shares for seven (7) RCPS-i, calculated as follows:

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	'000	'000	'000	'000
Profit for the period attributable to equity holders of the Company (RM)	136,320	125,779	241,503	249,170
Weighted average number of ordinary shares as per basic Earnings Per Share	2,854,321	2,628,471	2,853,951	2,628,426
Effect of potential exercise of LTIP	24,724	21,051	23,312	20,673
Effect of potential conversion of RCPS-i	322,179	-	322,179	-
Weighted average number of ordinary shares	3,201,224	2,649,522	3,199,442	2,649,099
Diluted Earnings Per Share (sen)	4.26	4.75	7.55	9.41

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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:-

	30 June 2017	31 Dec 2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	3,692,712	3,375,336
- Unrealised	120,423	246,525
	<u>3,813,135</u>	<u>3,621,861</u>
Total share of accumulated losses from jointly controlled entities:		
- Realised	(110,129)	(186,961)
- Unrealised	(1,970)	(2,363)
	<u>(112,099)</u>	<u>(189,324)</u>
Total share of (accumulated losses)/retained profits from associated companies:		
- Realised	(2,260)	8,498
- Unrealised	1	1
	<u>(2,259)</u>	<u>8,499</u>
Less: Consolidation adjustments	(739,083)	(722,845)
Total Group retained profits as per consolidated accounts	<u>2,959,694</u>	<u>2,718,191</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.

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12. Notes to the Statement of Comprehensive Income

Notes to the Statement of Comprehensive Income comprises:-

	3 MONTHS ENDED 30 June 2017 RM'000	6 MONTHS ENDED 30 June 2017 RM'000
Interest income	34,294	63,370
Other income including investment income	25,792	34,401
Interest expense	(34,820)	(64,825)
Depreciation and amortisation	(6,767)	(13,534)
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	81	76
Impairment of assets	(455)	-
Net foreign exchange loss	(10,490)	(12,022)
Gain or loss on derivatives	-	-
Exceptional items	-	-

13. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the financial year ended 31 December 2016 was unqualified.