

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

Interim Financial Report
31 March 2017

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Interim Financial Report - 31 March 2017

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S P SETIA BERHAD
 (Company No: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017
(The figures have not been audited)

	(UNAUDITED) As At 31/03/2017 RM'000	(AUDITED) As At 31/12/2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	280,981	271,508
Investment Properties	1,072,175	1,015,951
Land Held for Property Development	5,613,688	5,579,638
Intangible Asset	12,905	11,633
Investments in Associated Companies	122,133	121,873
Investments in Jointly Controlled Entities	1,752,390	1,677,723
Deferred Tax Assets	165,226	165,485
	<u>9,019,498</u>	<u>8,843,811</u>
Current Assets		
Property Development Costs	1,995,528	2,105,675
Inventories	851,429	877,905
Trade and Other Receivables	1,757,688	1,925,326
Gross Amount Due from Customers	7,018	3,825
Amounts Owing by Jointly Controlled Entities	593,411	633,669
Amounts Owing by Associated Companies	170	138
Current Tax Assets	165,168	129,464
Short-Term Deposits	2,508,755	2,704,840
Cash and Bank Balances	1,433,778	1,465,287
	<u>9,312,945</u>	<u>9,846,129</u>
TOTAL ASSETS	<u>18,332,443</u>	<u>18,689,940</u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	5,086,520	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	72,712	65,316
Exchange Translation Reserve	256,907	204,486
Retained Earnings	2,823,374	2,718,191
Equity Attributable to Owners of the Company	<u>9,366,370</u>	<u>9,200,564</u>
Perpetual Bond	619,722	610,787
Non-controlling Interests	437,315	431,730
Total Equity	<u>10,423,407</u>	<u>10,243,081</u>
LIABILITIES		
Non-Current Liabilities		
Redeemable Cumulative Preference Shares	53,827	53,513
Other Payables	40,000	40,000
Long Term Borrowings	4,060,344	3,798,538
Deferred Tax Liabilities	16,045	13,114
	<u>4,170,216</u>	<u>3,905,165</u>
Current Liabilities		
Gross Amount Due to Customers	624	5,707
Trade and Other Payables	1,505,566	1,945,773
Provision for Affordable Housing	478,734	504,258
Short Term Borrowings	1,663,627	1,973,771
Current Tax Liabilities	90,269	112,185
	<u>3,738,820</u>	<u>4,541,694</u>
Total Liabilities	<u>7,909,036</u>	<u>8,446,859</u>
TOTAL EQUITY AND LIABILITIES	<u>18,332,443</u>	<u>18,689,940</u>
Net Assets Per Share Attributable to Owners of the Company	<u>2.89</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)
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2017	31/03/2016
	RM'000	RM'000
Revenue	940,194	908,461
Cost of sales	(680,089)	(646,889)
Gross profit	<u>260,105</u>	<u>261,572</u>
Other income	37,680	68,760
Selling and marketing expenses	(43,295)	(31,475)
Administrative and general expenses	(42,575)	(59,360)
Share of results of jointly controlled entities	(8,341)	(17,176)
Share of results of associated companies	845	(884)
Finance costs	(30,005)	(27,136)
Profit before tax	<u>174,414</u>	<u>194,301</u>
Tax expense	(54,671)	(54,932)
Profit for the period	<u>119,743</u>	<u>139,369</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	52,381	(186,529)
Total comprehensive income for the period	<u>172,124</u>	<u>(47,160)</u>
Profit attributable to:		
Holders of Perpetual Bond	8,935	9,009
Non-controlling interests	5,625	6,969
	<u>14,560</u>	<u>15,978</u>
Owners of the Company	<u>105,183</u>	<u>123,391</u>
	<u>119,743</u>	<u>139,369</u>
Total comprehensive income attributable to:		
Holders of Perpetual Bond	8,935	9,009
Non-controlling interests	5,585	6,416
	<u>14,520</u>	<u>15,425</u>
Owners of the Company	<u>157,604</u>	<u>(62,585)</u>
	<u>172,124</u>	<u>(47,160)</u>
Earnings per share attributable to equity holders of the Company		
- Basic earnings per share (sen)	3.69	4.69
- Diluted earnings per share (sen)	3.29	4.66

(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.)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
(The figures have not been audited)

	← Attributable to owners of the Company →						Retained Earnings RM'000	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					
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	-	-	-	-	-	52,421	-	52,421	-	(40)	52,381
Profit for the period	-	-	-	-	-	-	105,183	105,183	-	5,625	110,808
Distribution for the period	-	-	-	-	-	-	-	-	8,935	-	8,935
Transactions with owners:											
Issuance of ordinary shares											
- Exercise of Employee Share Option Scheme ("ESOS")	819	-	38	-	(125)	-	-	732	-	-	732
Share issuance expense	-	-	-	(51)	-	-	-	(51)	-	-	(51)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	7,521	-	-	7,521	-	-	7,521
Transition to no par value regime ⁽¹⁾	2,945,561	1,115,581	(2,945,561)	(1,115,581)	-	-	-	-	-	-	-
Balance at 31.03.2017	5,086,520	1,126,857	-	-	72,712	256,907	2,823,374	9,366,370	619,722	437,315	10,423,407
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	-	-	-	-	-	(185,976)	-	(185,976)	-	(553)	(186,529)
Profit for the period	-	-	-	-	-	-	123,391	123,391	-	6,969	130,360
Distribution for the period	-	-	-	-	-	-	-	-	9,009	-	9,009
Transactions with owners:											
Issuance of ordinary shares											
- Exercise of Employee Share Option Scheme ("ESOS")	23	-	84	-	(16)	-	-	91	-	-	91
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	9,592	-	-	9,592	-	-	9,592
Balance at 31.03.2016	1,971,289	-	2,496,767	-	72,613	155,367	2,645,706	7,341,742	619,796	393,424	8,354,962

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
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2017	31/03/2016
	RM'000	RM'000
Operating Activities		
Profit before tax	174,414	194,301
Adjustments for:-		
Non-cash items	23,480	8,103
Non-operating items	(3,251)	(8,395)
Operating profit before changes in working capital	194,643	194,009
Changes in property development costs	163,425	(81,042)
Changes in accrued billings/progress billings	227,335	(59,929)
Changes in gross amount due from/to customers	(7,546)	(3,262)
Changes in inventories	35,995	47,252
Changes in receivables	(31,264)	111,474
Changes in payables	(388,043)	(170,464)
Cash generated from operations	194,545	38,038
Rental received	533	324
Interest received	13,636	15,103
Interest paid	(60,688)	(62,157)
Tax paid	(112,383)	(73,041)
Net cash generated from/(used in) operating activities	35,643	(81,733)
Investing Activities		
Additions to land held for future development	(129,387)	(217,739)
Purchase of property, plant and equipment	(14,286)	(6,965)
Additions to investment properties	(53,438)	(54,418)
Proceeds from disposal of property, plant and equipment	49	478
Acquisition of additional shares in an existing jointly controlled entity	(76,300)	(217,298)
Repayment from/(capital contribution to) a jointly controlled entity	6	(112)
Repayment from/(advances to) jointly controlled entities	1,125	(3,810)
Advances to/(repayment from) an associated company	(32)	62
Other investments	17,526	6,494
Net cash used in investing activities	(254,737)	(493,308)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2017	31/03/2016
	RM'000	RM'000
Financing Activities		
Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS	732	91
Payment of share issuance expenses	(51)	-
Repayment to non-controlling shareholders of a subsidiary company	-	(25,725)
Drawdown of bank borrowings	432,883	642,536
Repayment of bank borrowings	(498,244)	(434,305)
Interest paid	(172)	(207)
Net cash (used in)/generated from financing activities	<u>(64,852)</u>	<u>182,390</u>
Net changes in cash and cash equivalents	(283,946)	(392,651)
Effect of exchange rate changes	36,646	(26,027)
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>3,828,810</u>	<u>3,240,736</u>
 Cash and cash equivalents comprise the following:		
Short-Term Deposits	2,508,755	1,916,672
Cash and Bank Balances	1,433,778	1,437,942
Bank Overdrafts	(67,504)	(72,125)
	<u>3,875,029</u>	<u>3,282,489</u>
Less: Sinking Fund, Debt Service Reserve and Escrow and Revenue Accounts	(46,219)	(41,753)
	<u>3,828,810</u>	<u>3,240,736</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 31 March 2017.

4. Material changes in estimates

There were no material changes in estimates for the financial period ended 31 March 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 241,000 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)	180	46	15

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6. Dividends paid

There were no payment of dividend during the current financial quarter and period-to-date ended 31 March 2017.

7. Segmental Reporting

The segmental analysis for the financial period ended 31 March 2017 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	815,598	83,791	40,805	-	940,194
Inter-segment sales	73,523	103,641	7,648	(184,812)	-
Total revenue	889,121	187,432	48,453	(184,812)	940,194
Gross profit	253,143	5,762	1,200	-	260,105
Other income	30,299	2,720	4,661	-	37,680
Operating expenses	(80,325)	(2,008)	(3,537)	-	(85,870)
Share of results of jointly controlled entities	(8,908)	-	567	-	(8,341)
Share of results of associated companies	845	-	-	-	845
Finance costs	(28,487)	(283)	(1,235)	-	(30,005)
Profit before tax	166,567	6,191	1,656	-	174,414
Tax expense					(54,671)
Profit for the period					119,743

8. Material Events subsequent to the End of Financial Period

There were no material transactions or events subsequent to the current quarter ended 31 March 2017 till 4 May 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 period to-date.

10. Contingent Liabilities

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

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11. Capital Commitments

	As at 31 Mar 2017 RM'000
Contractual commitments to purchase development land	866,498
Contractual commitments for construction of investment properties	245,206
Contractual commitments for acquisition of property, plant and equipment	<u>3,116</u>

12. Significant Related Party Transactions

	1 Jan 2017 to 31 Mar 2017 RM'000
<i>Transactions with jointly controlled entities:-</i>	
(i) Project management and administrative fee received and receivable	1,470
(ii) Project management and administrative fee paid and payable	60
(iii) Rental received and receivable	173
(iv) Construction services rendered	43,358
(v) Staff secondment fee received and receivable	141
(vi) Interest received and receivable	4,370
<i>Transactions with directors of the Company and subsidiary company:-</i>	
(i) Sale of development properties to immediate family member of directors of the Company	1,097
(ii) Sale of development property to immediate family member of director of subsidiary company	262

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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:-

	3 Months Ended	
	31 Mar 2017	31 Mar 2016
	RM’000	RM’000
Revenue		
Property Development	815,598	812,317
Construction	83,791	52,773
Other Operations	40,805	43,371
	<hr/>	<hr/>
	940,194	908,461
	<hr/>	<hr/>
Profit before tax		
Property Development	166,567	161,173
Construction	6,191	2,380
Other Operations	1,656	30,748
	<hr/>	<hr/>
	174,414	194,301
	<hr/>	<hr/>

Property Development

The Group achieved revenue of RM815.6 million and PBT of RM166.6 million in the current quarter. 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, *Eco Sanctuary* in Singapore, *Battersea Power Station* in London and *Parque Melbourne* in Australia.

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 (“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 RM174.4 million, which is RM352.8 million lower than the preceding quarter ended 31 December 2016. Higher PBT in preceding 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 current quarter.

3. Prospects for the Current Financial Year

The Group secured sales of RM801.0 million over the first four (4) months of FY2017. For the first quarter of FY2017, the Group secured sales of RM426.8 million. Local projects contributed RM351.4 million, which represented approximately 82% of the total sales while international projects contributed RM75.4 million, which represented the remaining 18% of the total sales. The sales secured were largely from Central region with RM249.7 million whereas the Southern and Northern regions contributed RM101.7 million. The sales achieved were within expectations, which is consistent with the lower sales typically experienced during the Chinese New Year period and the shorter month of February. During the first quarter of FY2017, the Group had launched 2,587 units of properties with GDV of RM571.0 million. TRIO by Setia, launched on 8 April 2017 with 426 units of apartments and GDV of RM214.0 million at Bukit Tinggi, Klang also witnessed commendable take-up rate of approximately 60% within the month, indicating that underlying demand is strong for transit-oriented development.

Moving forward, the planned launches include the following:

- Setia Alam with GDV of RM292.0 million;
- Setia EcoHill with GDV of RM204.0 million;
- Setia EcoHill 2 with GDV of RM294.0 million;
- Setia Eco Park with GDV of RM147.0 million;
- Setia Eco Glades with GDV of RM67.0 million;
- Setia Eco Templer with GDV of RM73.0 million;
- Setia Sky Seputeh (Tower B) with GDV of RM478.0 million;
- KL Eco City with GDV of RM615.0 million;
- Setia Seraya Residences with GDV of RM278.0 million;
- Setia Tropika in Johor with GDV of RM123.0 million;
- Setia Business Park II in Johor with GDV of RM74.0 million;
- Aeropod in Sabah with GDV of RM177.0 million;
- Prahran in Melbourne, Australia with GDV of AUD38.0 million; and
- Exhibition Street in Melbourne, Australia with GDV of AUD478.0 million.

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 proposed acquisition by the Group of the entire equity interest of I&P Group Sdn Berhad ("I&P Group"), which has 4,263 acres of remaining land banks ("Proposed I&P Acquisition"). The indicative price for the Proposed I&P Acquisition is expected to be within the range of RM3.50 billion to RM3.75 billion. The final purchase price will only be determined and agreed upon after taking into consideration the necessary due diligence results and the completion of independent appraisal of all the land banks, on-going projects and investment properties of I&P Group by the independent property valuers appointed by the Group. As at 31 December 2016, I&P Group's net asset value ("NAV") stood at RM3.16 billion.

The Group is constantly on the lookout for opportunities to expand its land banks and to stay ahead as the leading township developer in Malaysia. Upon successful completion of the Proposed I&P Acquisition, the Group will have significantly increased its prime land banks in Central Klang Valley and Johor Bahru.

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3. Prospects for the Current Financial Year (continued)

Also on 14 April 2017, the Group also entered into a conditional sale and purchase agreement with Seriemas Development Sdn Berhad, an indirect subsidiary of PNB to acquire a parcel of freehold land measuring approximately 342.5 acres located in Bangi, Selangor known as Bangi Estate for a purchase price of RM447.5 million, equivalent to RM30.00 per square foot, plus a share of the future audited profit before taxation from the development, up to a maximum of RM3.00 per square foot. The land is located within a 5km radius from the Group's existing two townships, namely Setia EcoHill and Setia EcoHill 2. The land will be developed into a mixed development township with a potential GDV of approximately RM2.74 billion. With the addition of the land in Bangi, the Group will have a dominant presence in the Bangi-Kajang-Semenyih corridor.

In addition, on 18 April 2017, our Group won the tender for a parcel of leasehold land along Toh Tuck Road, Singapore—measuring approximately 4.6 acres for a purchase consideration of SGD265.0 million from the Urban Redevelopment Authority, Singapore. Having completed two (2) successful developments in Singapore, i.e. 18 Woodsville and Eco Sanctuary, the land will accord the Group with a quick turnaround project to strengthen the Setia brand in the Singapore property market. The land will have an allowable development of 327 units of condominium with an expected GDV of approximately SGD457.0 million.

The Group's prospects going forward remain positive with total unbilled sales of RM7.84 billion, anchored by 30 ongoing projects and effective remaining land banks of 5,141 acres with a GDV of RM75.72 billion as at 31 March 2017 and we are optimistic to meet the sales target of RM4.00 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	
	31 Mar 2017	31 Mar 2016
	RM'000	RM'000
- current taxation	51,680	56,912
- in respect of prior year	-	-
- deferred taxation	2,991	(1,980)
- in respect of prior year	-	-
	<u>54,671</u>	<u>54,932</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.

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6. Status of Corporate Proposals

- (a) As at 31 March 2017, the status of the utilisation of proceeds raised under Islamic Redeemable Cumulative Preference Shares (“RCPS-i”) which was completed on 6 December 2016, amounting to RM1,127.6 million is as set out below:-

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	(88,584)	377	211,793	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	(143,717)	-	983,908	

- (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 completion of the Proposed Bertam Acquisition is pending the receipt of approvals from the Estate Land Board and the Economic Planning Unit of the Prime Minister’s Department of Malaysia as part of the conditions precedent of the Proposed Bertam Acquisition. 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, entered into the following agreements with Seriemas Development Sdn Berhad (“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 Proposal”).

The completion of the Proposal is pending the receipt of approvals from the Estate Land Board of Selangor and the Economic Planning Unit of the Prime Minister’s Department of Malaysia as part of the conditions precedent of the Proposed Bangi Acquisition and shareholders of S P Setia at an Extraordinary General Meeting 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 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”). The purchase price for the entire equity interest of I&P Group is expected to be within the range of RM3.50 billion to RM3.75 billion subject to amongst others, a comprehensive due diligence, including legal and financial, on I&P Group. The MOI shall be effective for three (3) months from the date of the MOI or such extended time as may be agreed upon by the Parties or upon the execution of a definitive and binding agreement in respect of the Proposed I&P Acquisition; 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 (“URA”), acting as agent for and on behalf of the Singapore government (“Toh Tuck Acquisition”). A payment of SGD13.3 million (approximately RM42.4 million), being 5% of the Toh Tuck Purchase Consideration has been paid thus far. The remaining 95% of the Toh Tuck Purchase Consideration will be made to the URA by July 2017 for the completion of the Toh Tuck Acquisition.

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7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 March 2017 were as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term Bank Borrowings	1,070,652	592,975	1,663,627
Long Term Bank Borrowings	2,588,041	1,472,303	4,060,344
Redeemable Cumulative Preference Shares	-	53,827	53,827
	<u>3,658,693</u>	<u>2,119,105</u>	<u>5,777,798</u>

Currency exposure profile of borrowings is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Malaysian Ringgit	3,652,576	1,405,897	5,058,473
Great British Pound	-	713,208	713,208
United States Dollar	5,609	-	5,609
Vietnamese Dong	508	-	508
	<u>3,658,693</u>	<u>2,119,105</u>	<u>5,777,798</u>

8. Material Litigation

The Group was not engaged in any material litigation as at 4 May 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

No interim dividend has been recommended in respect of the financial period ended 31 March 2017.

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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	
	31 Mar 2017	31 Mar 2016
	'000	'000
Profit for the period attributable to owners of the Company (RM)	105,183	123,391
Number of ordinary shares at beginning of the period	2,853,520	2,628,356
Effect of shares issued pursuant to:		
- Exercise of ESOS	57	23
Weighted average number of ordinary shares	2,853,577	2,628,379
Basic Earnings Per Share (sen)	3.69	4.69

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	
	31 Mar 2017	31 Mar 2016
	'000	'000
Profit for the period attributable to owners of the Company (RM)	105,183	123,391
Weighted average number of ordinary shares as per basic Earnings Per Share	2,853,577	2,628,379
Effect of potential exercise of LTIP	21,369	20,256
Effect of potential conversion of RCPS-i	322,178	-
Weighted average number of ordinary shares	3,197,124	2,648,635
Diluted Earnings Per Share (sen)	3.29	4.66

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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 Mar 2017	31 Dec 2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	3,723,369	3,375,336
- Unrealised	125,258	246,525
	<u>3,848,627</u>	<u>3,621,861</u>
Total share of accumulated losses from jointly controlled entities:		
- Realised	(190,738)	(186,961)
- Unrealised	(2,163)	(2,363)
	<u>(192,901)</u>	<u>(189,324)</u>
Total share of retained profits from associated companies:		
- Realised	9,344	8,498
- Unrealised	-	1
	<u>9,344</u>	<u>8,499</u>
Less: Consolidation adjustments	(841,696)	(722,845)
Total Group retained profits as per consolidated accounts	<u>2,823,374</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	
	31 Mar 2017	31 Mar 2016
	RM'000	RM'000
Interest income	29,076	31,133
Other income including investment income	8,604	12,471
Interest expense	(30,005)	(27,136)
Depreciation and amortisation	(6,767)	(4,890)
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Loss on disposal of quoted or unquoted investments or properties	(5)	-
Impairment of assets	-	-
Net foreign exchange (loss)/gain	(1,532)	25,156
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.