

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

Interim Financial Report
31 December 2015

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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 2015
(The figures have been audited)

	As At 31 December 2015 RM'000	As At 31 October 2014 (Restated) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	260,051	230,190
Investment Properties	726,378	604,942
Land Held for Property Development	5,304,330	5,260,164
Intangible Asset	7,215	6,628
Investments in Jointly Controlled Entities	1,086,835	657,653
Investments in an Associated Company	120,217	94,101
Amount Owing by Former Joint Venture Partner	-	14,398
Deferred Tax Assets	126,529	120,890
	<u>7,631,555</u>	<u>6,988,966</u>
Current Assets		
Property Development Costs	2,111,798	2,661,923
Gross Amount Due from Customers	14,189	14,859
Inventories	878,926	562,800
Trade and Other Receivables	1,450,540	913,315
Amounts Owing by Jointly Controlled Entities	510,293	315,088
Amount Owing by an Associated Company	107	-
Current Tax Assets	73,203	55,528
Deposits	2,019,912	1,165,099
Cash and Bank Balances	1,732,218	1,246,941
	<u>8,791,186</u>	<u>6,935,553</u>
TOTAL ASSETS	<u>16,422,741</u>	<u>13,924,519</u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	1,971,266	1,903,748
Reserves		
Share Premium	2,496,683	2,290,486
Share Based Payment Reserve	63,037	43,363
Exchange Translation Reserve	341,343	11,958
Retained Earnings	2,522,315	1,852,776
Equity Attributable to Owners of the Company	<u>7,394,644</u>	<u>6,102,331</u>
Perpetual Bond	610,787	622,998
Non-controlling Interests	387,008	338,337
Total Equity	<u>8,392,439</u>	<u>7,063,666</u>
Non-Current Liabilities		
Long Term Borrowings	3,414,000	3,387,935
Redeemable Cumulative Preference Shares	53,770	55,768
Deferred Tax Liabilities	40,476	20,924
	<u>3,508,246</u>	<u>3,464,627</u>
Current Liabilities		
Gross Amount Due to Customers	125	163
Trade and Other Payables	2,133,995	1,831,581
Provision for Affordable Housing	458,540	615,358
Short Term Borrowings	1,718,511	879,403
Bank Overdrafts	64,387	51,656
Current Tax Liabilities	146,498	18,065
	<u>4,522,056</u>	<u>3,396,226</u>
Total Liabilities	<u>8,030,302</u>	<u>6,860,853</u>
TOTAL EQUITY AND LIABILITIES	<u>16,422,741</u>	<u>13,924,519</u>
Net Assets Per Share Attributable to Owners of the Company	<u>2.81</u>	<u>2.40</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the annual financial statements for the year ended 31 October 2014, and the accompanying explanatory notes attached to this report.)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 NOVEMBER 2014 TO 31 DECEMBER 2015
*(The figures have been audited) **

	2 months ended 31 Dec 2015 RM'000	14 months ended 31 Dec 2015 RM'000
Revenue	1,140,520	6,746,343
Cost of sales	(693,129)	(4,683,055)
Gross profit	447,391	2,063,288
Other income	48,309	223,447
Selling and marketing expenses	(113,593)	(314,212)
Administrative and general expenses	(57,767)	(330,793)
Share of results of jointly controlled entities	(12,633)	(109,530)
Share of results of an associated company	4,864	4,533
Finance costs	(13,227)	(110,292)
Profit before tax	303,344	1,426,441
Tax expense	(79,911)	(415,433)
Profit for the period	223,433	1,011,008
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	(35,743)	329,915
Total comprehensive income for the period	187,690	1,340,923
Profit attributable to:		
Holders of Perpetual Bond	6,055	42,291
Non-controlling interests	9,102	50,459
	15,157	92,750
Owners of the Company	208,276	918,258
	223,433	1,011,008
Total comprehensive income attributable to:		
Holders of Perpetual Bond	6,055	42,291
Non-controlling interests	9,094	50,989
	15,149	93,280
Owners of the Company	172,541	1,247,643
	187,690	1,340,923
Earnings per share attributable to equity holders of the Company		
- Basic earnings per share (sen)	7.92	35.66
- Diluted earnings per share (sen)	7.86	35.30

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the annual financial statements for the year ended 31 October 2014, and the accompanying explanatory notes attached to this report.)

* The statement of comprehensive income for the 14 months period ended 31 December 2015 has been audited. There is no separate audited financial statements issued for the statement of comprehensive income for the 2 months period ended 31 December 2015.

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 NOVEMBER 2014 TO 31 DECEMBER 2015
(The figures have been audited)

	Attributable to owners of the Company								Total Equity RM'000
	Non-Distributable				Retained Earnings RM'000	Total RM'000	Perpetual Bond RM'000	Non-controlling interests RM'000	
	Share Capital RM'000	Share Premium RM'000	Share Based Payment Reserve RM'000	Exchange Translation Reserve RM'000					
14 months period ended 31 December 2015									
Balance at 1.11.2014	1,903,748	2,290,486	43,363	11,958	1,609,026	5,858,581	622,998	310,101	6,791,680
Prior year adjustments	-	-	-	-	243,750	243,750	-	28,236	271,986
Balance at 1.11.2014, as restated	1,903,748	2,290,486	43,363	11,958	1,852,776	6,102,331	622,998	338,337	7,063,666
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	329,385	-	329,385	-	530	329,915
Profit for the period	-	-	-	-	918,258	918,258	-	50,459	968,717
Distribution for the period	-	-	-	-	-	-	42,291	-	42,291
Distribution paid	-	-	-	-	-	-	(54,502)	-	(54,502)
Transactions with owners:									
Liquidation/derecognition of subsidiary companies	-	-	-	-	-	-	-	5,182	5,182
Dividends paid	-	-	-	-	(248,719)	(248,719)	-	(7,500)	(256,219)
Issuance of ordinary shares									
- Dividend Reinvestment Plan ("DRP")	56,859	169,241	-	-	-	226,100	-	-	226,100
- Exercise of Employee Share Grant Plan ("ESGP")	5,124	16,321	(21,445)	-	-	-	-	-	-
- Exercise of Employee Share Option Scheme ("ESOS")	5,535	20,873	(3,768)	-	-	22,640	-	-	22,640
Share issuance expense	-	(238)	-	-	-	(238)	-	-	(238)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	44,887	-	-	44,887	-	-	44,887
Balance at 31.12.2015	1,971,266	2,496,683	63,037	341,343	2,522,315	7,394,644	610,787	387,008	8,392,439

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual financial statements for the year ended 31 October 2014, and the accompanying explanatory notes attached to this report.)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 NOVEMBER 2014 TO 31 DECEMBER 2015
(The figures have been audited)

	14 MONTHS ENDED 31 Dec 2015 RM'000
Operating Activities	
Profit before tax	1,426,441
Adjustments for:-	
Non-cash items	189,368
Non-operating items	(45,576)
Operating profit before changes in working capital	1,570,233
Changes in property development costs	1,046,449
Changes in accrued billings/progress billings	(216,187)
Changes in gross amount due from/to customers	2,568
Changes in inventories	216,974
Changes in receivables	(449,607)
Changes in payables	51,936
Cash generated from operations	2,222,366
Interest received	64,574
Interest paid	(302,625)
Rental received	2,253
Tax paid	(301,573)
Net cash generated from operating activities	1,684,995
Investing Activities	
Additions to land held for future development	(604,647)
Purchase of property, plant and equipment	(55,478)
Additions to investment properties	(108,072)
Proceeds from disposal of property, plant and equipment	1,061
Proceeds from disposal of investment properties	42,901
Net outflow from liquidation/derecognition of subsidiary companies	(2,822)
Acquisition of additional shares in an existing jointly controlled entity	(363,697)
Capital contribution to a jointly controlled entity	(566)
Capital contribution to an associated company	(1,472)
Advances to jointly controlled entities	(151,764)
Advances to an associated company	(107)
Other investments	83,098
Net cash used in investing activities	(1,161,565)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 NOVEMBER 2014 TO 31 DECEMBER 2015
(The figures have been audited)

	14 MONTHS ENDED 31 Dec 2015 RM'000
Financing Activities	
Proceeds from issuance of ordinary shares	
- exercise of ESOS	22,640
Payment of share issuance expenses	(238)
Repayment to a non-controlling shareholder of a subsidiary company	(5,517)
Drawdown of bank borrowings	2,490,212
Repayment of bank borrowings	(1,693,852)
Perpetual bond distribution paid	(54,502)
Interest paid	(1,357)
Redeemable cumulative preference share dividends paid to a non-controlling shareholder of a subsidiary company	(1,272)
Dividends paid to non-controlling interest	(7,500)
Dividends paid	(22,619)
Net cash generated from financing activities	725,995
Net changes in cash and cash equivalents	1,249,425
Effect of exchange rate changes	75,187
Cash and cash equivalents at beginning of the period	2,334,802
Cash and cash equivalents at end of the period	3,659,414
	31 Dec 2015
	RM'000
Deposits	2,019,912
Cash and bank balances	1,732,218
Bank overdrafts	(64,387)
	3,687,743
Less: Sinking Fund, Debt Service Reserve and Escrow and Revenue Accounts	(28,329)
	3,659,414

(The Condensed Consolidated Statement Of Cash Flows should be read in conjunction with the annual financial statements for the year ended 31 October 2014, and the accompanying explanatory notes attached to 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 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 October 2014.

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 October 2014 except for the adoption of the following Amendments to FRSs:-

Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities
Amendments to FRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRSs	Annual Improvements to FRSs 2010-2013 Cycle

The following are the Amendments to FRSs and IC Interpretation which are effective but are not applicable to the Group:-

Amendments to FRS 119	Defined Benefits Plans: Employee Contributions
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above Amendments to FRSs does not have any material impact on the financial statements of the Group.

2. Changes in comparatives

The Group has changed the following accounting policies retrospectively and certain comparatives have been restated.

- (a) In prior years, the Group assessed the completion of the development project to be at the end of the defect liability period. In the current financial period, the Group has reassessed the date of the completion of a development project at the point of receipt of Certificate of Completion and Compliance (“CCC”).
- (b) In prior years, the Group’s present obligation of constructing affordable housing has been taken into consideration by capitalising the foreseeable losses from the development of affordable housing as common cost of the entire development project. However, the Group did not provide the foreseeable losses as a liability and recognise a corresponding asset in the form of common costs (i.e. land held for property development and property development costs) in the financial statements. In the current financial period, the Group has reassessed and recognised a provision for foreseeable losses for affordable housing in accordance with FRSIC Consensus 17 *Development of Affordable Housing* which was issued by the Malaysian Institute of Accountants on 24 November 2011.

Certain comparative figures of the Group have been reclassified to conform to current financial period’s presentation. The reclassification has had no effect on the financial results of the Group for previous financial periods or for the current financial period.

The effects of changes in accounting policies and reclassification are as follows:

**Consolidated Statement of Financial Position
At 31 October 2014**

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	135,118	95,072	230,190
Investment properties	700,205	(95,263)	604,942
Land held for property development	4,643,294	616,870	5,260,164
Intangible asset	100,107	(93,479)	6,628
Deferred tax assets	172,706	(51,816)	120,890
Current assets			
Property development costs	2,982,007	(320,084)	2,661,923
Inventories	46,043	516,757	562,800
Trade and other receivables	743,956	169,359	913,315
Current tax assets	76,044	(20,516)	55,528
Equity			
Retained earnings	1,609,026	243,750	1,852,776
Non-controlling interests	310,101	28,236	338,337
Non-current liability			
Deferred tax liabilities	10,769	10,155	20,924
Current liabilities			
Trade and other payables	1,924,039	(92,458)	1,831,581
Provision for affordable housing	-	615,358	615,358
Current tax liabilities	6,206	11,859	18,065

3. Change of financial year end

As announced on 15 June 2015, the Company has changed its financial year end from 31 October to 31 December. Thus, the statutory financial statements will be made up from 1 November 2014 to 31 December 2015 covering a period of 14 months.

As a result, the current and cumulative financial periods covered relating to the 14 months ended 31 December 2015 do not correspond with any of the financial quarters covered by the interim financial reports of the previous financial year. Therefore, no comparative figures have been disclosed.

4. 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.

5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items for the financial period ended 31 December 2015.

6. Material changes in estimates

There were no material changes in estimates for the financial period ended 31 December 2015.

7. 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 following:

- (a) Allotment of 6,832,119 new ordinary shares of RM0.75 each pursuant to the vesting of Employee Share Grant Plan (“ESGP”);
- (b) Issuance of 7,379,974 new ordinary shares of RM0.75 each pursuant to the exercise of Employees’ Share Options Scheme (“ESOS”) at the following option prices; and

		ESOS 1	ESOS 2
Exercise price	(RM)	3.07	3.03
No. of shares issued	(‘000)	6,954	426

- (c) Issuance of 75,811,900 new ordinary shares of RM0.75 each pursuant to Dividend Reinvestment Plan duly renewed (“DRP”) at the following issue prices:

		3 rd DRP	4 th DRP
Issue price	(RM)	3.10	2.83
No. of shares issued	(‘000)	42,787	33,025

8. Dividends paid

a) Final dividend in respect of the financial year ended 31 October 2014

A single tier final dividend, in respect of the financial year ended 31 October 2014 of 5.7 sen per ordinary shares of RM0.75 each amounting to RM144,910,495, was approved by the shareholders at the Annual General Meeting on 26 March 2015.

The shareholders elected to reinvest RM132,639,328 at the price of RM3.10 per share pursuant to the Dividend Reinvestment Plan duly renewed (“3rd DRP”), accordingly a total of 42,786,880 new ordinary shares of RM0.75 each were issued and the remaining portion of RM12,271,167 was paid in cash on 8 June 2015.

b) Interim dividend in respect of the financial period from 1 November 2014 to 31 December 2015

On 15 June 2015, the Board of Directors had declared a single-tier interim dividend of 4 sen per share for the financial period from 1 November 2014 to 31 December 2015 (“Interim Dividend”) amounting to RM103,808,213 and determined that Dividend Reinvestment Plan (“4th DRP”) shall apply to the entire Interim Dividend.

Based on the election made by the shareholders, a total of 33,025,020 new ordinary shares were issued and the remaining portion of RM10,347,406 was paid in cash on 9 September 2015.

9. Segmental Reporting

The segmental analysis for the financial period ended 31 December 2015 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	6,222,802	280,856	242,685	-	6,746,343
Inter-segment sales	193,714	398,724	61,922	(654,360)	-
Total revenue	<u>6,416,516</u>	<u>679,580</u>	<u>304,607</u>	<u>(654,360)</u>	<u>6,746,343</u>
Gross profit	1,995,930	15,784	51,574	-	2,063,288
Other income	199,102	4,452	19,893	-	223,447
Operating expenses	(609,457)	(11,674)	(23,874)	-	(645,005)
Share of results of jointly controlled entities	(108,644)	-	(886)	-	(109,530)
Share of results of an associated company	4,533	-	-	-	4,533
Finance costs	(101,133)	(42)	(9,117)	-	(110,292)
Profit before tax	<u>1,380,331</u>	<u>8,520</u>	<u>37,590</u>	<u>-</u>	<u>1,426,441</u>
Tax expense					(415,433)
Profit for the period					<u><u>1,011,008</u></u>

10. Material Events subsequent to the End of Financial Period

There were no material transactions or events subsequent to the current period ended 31 December 2015 till 18 February 2016 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

11. Changes in the Composition of the Group

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

- (i) Voluntarily winding up of Suharta Sdn Bhd ("Suharta"), an indirect subsidiary of S P Setia Berhad on 10 November 2014;
- (ii) Acquisition of 2 ordinary shares of RM1.00 each in Setia Eco Templer Recreation Sdn Bhd (*formerly known as Vero Legacy Sdn Bhd*) ("SETR") on 7 January 2015, resulting in SETR becoming an indirect wholly owned subsidiary of S P Setia Berhad;
- (iii) Acquisition of 2 ordinary shares of RM1.00 each in Setia EM (South) Sdn Bhd (*formerly known as Plentitude Circle Sdn Bhd*) ("Setia EM South") on 7 January 2015, resulting in Setia EM South becoming a wholly owned subsidiary of S P Setia Berhad;
- (iv) Voluntarily winding up of Setia Bac Ninh Limited ("Setia Bac Ninh"), an indirect subsidiary of S P Setia Berhad on 16 November 2015; and
- (v) Incorporation of 1 ordinary share of AUD1.00 each in Setia Carnegie Pty Ltd ("Setia Carnegie") on 25 November 2015, resulting in Setia Carnegie becoming a wholly owned indirect subsidiary of S P Setia Berhad.

12. Contingent Liabilities

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

13. Capital Commitments

	As at 31 Dec 2015 RM'000
Contractual commitments for construction of investment properties	496,898
Contractual commitments for acquisition of property, plant and equipment	192
Contractual commitments in relation to Development Agreement	<u>100,000</u>

14. Significant Related Party Transactions

	1 Nov 2014 to 31 Dec 2015 RM'000
<i>Transactions with jointly controlled entities:-</i>	
(i) Project management and administrative fee received and receivable	22,153
(ii) Project management and administrative fee paid and payable	280
(iii) Rental received and receivable	1,352
(iv) Event service fee charged	160
(v) Group marketing fee charged	225
(vi) Construction services rendered	132,317
(vii) Staff secondment	1,090
(viii) Interest received and receivable	10,146
<i>Transactions with directors and former director of subsidiary companies:-</i>	
(i) Sale of development properties to directors of subsidiary companies and their immediate family members	13,238
(ii) Estate management fee	30

**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 period are analysed as follows:-

	2 months ended 31 Dec 2015 RM’000	14 months ended 31 Dec 2015 RM’000
Revenue		
Property Development	1,080,232	6,222,802
Construction	33,159	280,856
Other Operations	27,129	242,685
	1,140,520	6,746,343
Profit before tax		
Property Development	299,716	1,380,331
Construction	1,409	8,520
Other Operations	2,219	37,590
	303,344	1,426,441

Property Development

The Group achieved revenue of RM1.1 billion and PBT of RM299.7 million in the 2 months ended 31 December 2015. The revenue and PBT for the 2 months ended 31 December 2015 is mainly contributed by the completion and handovers of various projects such as *Setia EcoHill* in Semenyih, *Setia Eco Glades* in Cyberjaya, *Setia Alam* in Shah Alam and *Setia Tri-Angle* in Penang.

For the 14 months ended 31 December 2015, the Group achieved a PBT of RM1.38 billion on the back of revenue totalling RM6.22 billion, mainly attributable to our strong sales pipeline built to date and the timely handovers of our maiden property project in Melbourne, *Fulton Lane*.

Ongoing projects which contributed to the profit and revenue 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, *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*, *Brook Residences* and *Setia V Residences* in Penang, *18 Woodsville and Eco Sanctuary* in Singapore and *Fulton Lane* in Australia.

Construction

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

- (a) Subterranean Penang International Convention & Exhibition Centre (“SPICE”) undertaken pursuant to a Build-Operate-Transfer Agreement with the Majlis Perbandaran Pulau Pinang, in exchange for development rights in Penang;
- (b) Jabatan Keretapi Negeri Sabah building in Sabah undertaken pursuant to a Development Agreement with the Sabah State Government, in exchange for a land in Sabah for the *Aeropod* project;

1. Review of Group Performance (continued)

Construction (continued)

- (c) Kompleks Institut Penyelidikan Kesihatan Bersepadu (“INIH Complex”) in *Setia Alam* undertaken pursuant to a Privatisation Agreement with the Ministry of Health, in exchange for a land in Bangsar for the *Setia Federal Hill* project; and
- (d) Commuter station at *KL Eco City* undertaken pursuant to a Privatisation Agreement with Datuk Bandar Kuala Lumpur, in exchange for development of *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 and profit 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 Current Period Results compared to the results of the Preceding Quarter

The Group’s current period PBT is RM303.3 million, which is RM85.4 million higher than the preceding quarter ended 31 October 2015. The higher PBT was mainly due to:

- (a) Higher profit recognition from the completion and handovers of various projects as mentioned above; and
- (b) Change in accounting policy of the Group. Prior to 1 November 2015, the Group assessed the completion of the development project to be at the end of the defect liability period. During the current period, the Group has reassessed the date of the completion of a development project at the point of the receipt of CCC. Accordingly, revenue and profit from property development of the Group have been fully recognised at the point of the receipt of CCC rather than at a later stage when the defect liability period expires, effective from the current financial period. The change in accounting policy has been applied retrospectively.

3. Prospects for the Next Financial Year

With the Group’s sales for the financial period ended 31 December 2015 totalled RM4.3 billion, unbilled sales of RM9.2 billion, anchored by 27 ongoing projects and effective remaining land bank of 3,907 acres with a GDV of RM70.6 billion, we are confident that the Group will perform well in FY2016.

Robust revenue is expected to be recognised from the various completion stages and delivery of residential properties of our flagship projects, namely RM1.0 billion from *Setia Alam*, *Setia EcoHill*, *Setia Eco Park* and *Setia Eco Glades*. Furthermore, we are also anticipating the completion and delivery of the RM306 million GDV Strata Office Tower in *KL Eco City* by 2nd half FY2016 and also completion and delivery of *Eco Sanctuary*, Singapore with a GDV of SGD473 million by 2nd half FY2016. In addition, we are also hopeful to complete *Parque*, Melbourne with a GDV of AUD247 million and staged completion of a substantial part of *Battersea Power Station, Phase 1*, which has a GDV of £846 million in December 2016, to name a few.

As the Group’s maiden property project in Melbourne, *Fulton Lane* was completed ahead of schedule and the second project, *Parque* was fully sold and making significant construction progress, it further underscores the Group’s conviction to be on the lookout for strategic acquisition in Australia. In November 2015, we successfully acquired a parcel of land in Carnegie, a suburb located 11km away from Melbourne’s central business district. The parcel of land in Carnegie is targeted to be launched in FY2016.

3. Prospects for the Next Financial Year (continued)

On the local front, the Group target to launch two new townships, namely *Setia Eco Templer* and *Setia EcoHill 2* and leveraged on our strength and experience in establishing township by rolling out mid-priced and affordable residential products – the products of the day. In addition to the townships, the Group will also launch medium density *Setia Sky Seputeh* serviced apartments in high affluent areas at Taman Seputeh and continue to launch high impact development products to capitalise on the niche and underserved markets such as single storey bungalow in *Setia Eco Park*.

The Group recognised it will be a challenging environment in FY2016 but nevertheless, the Board is confident that with the Group's strong **Setia** brand name, established townships and right product strategies, the Group will continue to move forward resiliently, swiftly capturing market share and perform well.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

Income Tax comprises:-

	2 months ended 31 Dec 2015 RM'000	14 months ended 31 Dec 2015 RM'000
- current taxation	44,462	403,298
- in respect of prior year	(13,089)	732
- deferred taxation	63,422	44,941
- in respect of prior year	(14,884)	(33,538)
	<u>79,911</u>	<u>415,433</u>

The Group's effective tax rate for the current period and financial period to-date is slightly higher than the statutory tax rate mainly due to certain non-tax deductible expenses.

6. Status of Corporate Proposals

The following are the status of corporate proposals that have been announced by the Company which had been completed since the preceding quarter report and those which are not completed as at 18 February 2016, the latest practicable date which shall not be earlier than 7 days from the date of this announcement:-

- (i) On 26 October 2009, a subsidiary of S P Setia Berhad, Setia Lai Thieu Limited ("Setia LT"), had entered into an In-Principle Agreement with Investment and Industrial Development Corporation (Becamex IDC Corp) ("Becamex") for the assignment of the implementation and development of an independent mixed-use real estate project on a piece of land measuring approximately 108,400 square metres or 26.79 acres located in Lai Thieu Town, Thuan An District, Binh Duong Province, Vietnam ("Land") from Becamex to a company to be established by Setia LT in Vietnam for a total consideration of USD16,260,000.

As announced on 11 March 2010, the People's Committee of Binh Duong Province has on 10 March 2010 issued the Investment Certificate for the establishment of Setia Lai Thieu One Member Company Limited ("NewCo") to undertake the development of EcoXuan Lai Thieu on the Land for a term of 50 years from the date of issuance of the Investment Certificate.

6. Status of Corporate Proposals (continued)

On approval of the masterplan in the scale of 1/500 for EcoXuan Lai Thieu, the area of the Land was increased from 108,400 square metres to 109,685 square metres (27.10 acres) and by the increase in land area, the total consideration payable to Becamex was adjusted to USD16,452,750 based on the rate of USD150 per square metre.

The outstanding balance of USD98,202 will be settled upon the issuance of the land use right certificate in the name of Setia LT; and

- (ii) On 6 February 2013, Setia Eco Templer Sdn Bhd (“SET” or “Developer”), a wholly owned subsidiary of S P Setia Berhad has entered into an agreement (“Development Agreement”) with Cash Band (M) Berhad (“CBB” or “Landowner”), for the proposed development of a mixed residential and commercial project on various parcels of leasehold land measuring approximately 194.65 acres in the District of Gombak.

The Development Agreement is pending the fulfillment of the conditions precedent therein within a period of twelve (12) months from the date of the Development Agreement, with an automatic extension of a period of twelve (12) months thereafter and/or such other extended period to be mutually agreed in writing by the parties for the fulfillment of the conditions precedent.

As announced previously on 2 February 2015, 3 April 2015 and 5 June 2015, SET and CBB had vide a series of extension letters mutually agreed to further extend the time for the fulfilment of the conditions precedents to 5 December 2015.

Further to the announcement on 4 December 2015, SET and CBB had vide a letter dated 4 December 2015, mutually agreed to declare the Development Agreement unconditional on 4 December 2015. SET and CBB have further agreed to finalise and execute a supplemental agreement to vary the Agreement (“Supplemental Agreement”) within a period of twenty one (21) business days commencing from 6 December 2015.

Subsequent thereto and on 8 January 2016 and 15 February 2016 respectively, SET and CBB had vide extension letters mutually agreed to extend the time for finalisation and execution of the Supplemental Agreement to 30 April 2016.

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 December 2015 were as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Bank Overdrafts	8,116	56,271	64,387
Short Term Bank Borrowings	1,088,511	630,000	1,718,511
Long Term Bank Borrowings	2,944,295	469,705	3,414,000
Redeemable Cumulative Preference Shares	-	53,770	53,770
	<u>4,040,922</u>	<u>1,209,746</u>	<u>5,250,668</u>

Currency exposure profile of borrowings is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Ringgit Malaysia	3,681,183	1,209,746	4,890,929
Singapore Dollar	196,670	-	196,670
Australian Dollar	103,616	-	103,616
Great British Pound	38,286	-	38,286
United States Dollar	19,181	-	19,181
Vietnamese Dong	1,986	-	1,986
	<u>4,040,922</u>	<u>1,209,746</u>	<u>5,250,668</u>

8. Material Litigation

The Group was not engaged in any material litigation as at 18 February 2016, 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) (i) The Board of Directors has recommended a final dividend in respect of the financial period ended 31 December 2015.
- (ii) Amount per share : 19 sen single tier dividend
- (iii) Previous corresponding year : 5.7 sen single tier dividend
- (iv) Date payable : To be determined later
- (v) In respect of deposited securities, entitlement to dividends will be determined on the basis of record of depositors as at a date to be determined later.
- (b) Total dividends for the current financial period : 23 sen single tier dividend

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:-

	2 months ended 31 Dec 2015 '000	14 months ended 31 Dec 2015 '000
Profit for the period attributable to owners of the Company (RM)	208,276	918,258
Number of ordinary shares at beginning of the period	2,628,325	2,538,332
Effect of shares issued pursuant to:		
- Dividend Reinvestment Plan ("DRP")	-	29,272
- Vesting of ESGP	-	2,904
- Exercise of ESOS	21	4,785
Weighted average number of ordinary shares	2,628,346	2,575,293
Basic Earnings Per Share (sen)	7.92	35.66

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, calculated as follows:

	2 months ended 31 Dec 2015 '000	14 months ended 31 Dec 2015 '000
Profit for the period attributable to owners of the Company (RM)	208,276	918,258
Weighted average number of ordinary shares as per basic Earnings Per Share	2,628,346	2,575,293
Effect of potential exercise of LTIP	22,294	25,761
Weighted average number of ordinary shares	2,650,640	2,601,054
Diluted Earnings Per Share (sen)	7.86	35.30

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 2015 RM'000	31 Oct 2014 RM'000 Restated
Total retained profits of the Company and its subsidiaries:		
- Realised	3,059,525	2,305,431
- Unrealised	72,656	81,268
	<u>3,132,181</u>	<u>2,386,699</u>
Total share of (accumulated losses)/retained profits from jointly controlled entities:		
- Realised	(245,888)	(136,714)
- Unrealised	2,503	264
	<u>(243,385)</u>	<u>(136,450)</u>
Total share of retained profits/(accumulated losses) from associated companies:		
- Realised	3,620	(911)
- Unrealised	2	-
	<u>3,622</u>	<u>(911)</u>
Less: Consolidation adjustments	<u>(370,103)</u>	<u>(396,562)</u>
Total Group retained profits as per consolidated accounts	<u><u>2,522,315</u></u>	<u><u>1,852,776</u></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:-

	2 months ended 31 Dec 2015 RM'000	14 months ended 31 Dec 2015 RM'000
Interest income	26,306	133,309
Other income including investment income	17,709	84,083
Interest expense	(13,227)	(110,292)
Depreciation and amortisation	(2,975)	(33,006)
Provision for and write off of receivables	(719)	(7,220)
Provision for and write off of inventories	N/A	N/A
Gain or loss on disposal of quoted or unquoted investments or properties	(455)	636
Impairment of assets	(482)	(482)
Foreign exchange gain	4,294	5,419
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

13. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the year ended 31 October 2014 was unqualified.